



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

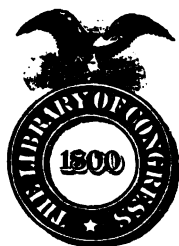
Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>

HG 9970

.S5 A6

1909a

Copy 2



Class HG9970

Book 55A6

1909a

copy 2

2

HEARINGS

CONCERNING

33

373

PREMIUM CHARGES OF SURETY COMPANIES FOR FIDELITY BONDS OF OFFICERS AND EMPLOYEES OF THE UNITED STATES

AND

ESTIMATES FOR CERTAIN URGENT DEFICIENCIES

CONDUCTED BY

REPRESENTATIVES TAWNEY, BROWNLOW, WALTER
I. SMITH, KEIFER, LIVINGSTON, AND BURLESON
U. S. Congress. House.

MEMBERS OF THE COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES, SIXTIETH CONGRESS
AND MEMBERS OF THE SIXTY-FIRST CONGRESS



WASHINGTON
GOVERNMENT PRINTING OFFICE

1909

COPY 2

HG 9970
SS AG
1909a
copy 2

SEP 10 1909
A OF A

21

20.2.7/28/09
HEARINGS CONCERNING PREMIUM CHARGES OF SURETY COMPANIES FOR FIDELITY BONDS OF OFFICERS AND EMPLOYEES OF THE UNITED STATES.

TUESDAY, June 29, 1909—10.30 a. m.

Present: Representatives James A. Tawney, W. P. Brownlow, Walter I. Smith, J. Warren Keifer, Leonidas F. Livingston, and Albert S. Burleson, members of the Committee on Appropriations, House of Representatives, in the Sixtieth Congress, and Members of the House of Representatives in the Sixty-first Congress.

There appeared the following gentlemen representing sundry bonding companies: Messrs. J. Kemp Bartlett, first vice-president of the United States Fidelity and Guaranty Company, of Baltimore, Md., accompanied by J. Frank Supplee, assistant to the president, and C. R. McKendrick; Thomas A. Whelan, first vice-president of the Fidelity and Deposit Company, of Baltimore; H. H. Stryker, vice-president of the American Bonding Company, of Baltimore; Robert A. Dobbin, secretary of the United Surety Company, of Baltimore; W. G. Peterkin, president of the Citizens' Trust and Guaranty Company, of West Virginia; Philip Walker, counsel for the Title Guaranty and Surety Company of Scranton, Pa., and D. J. Tompkins, secretary of the United States Guarantee Company, of New York.

There also appeared Mr. S. Hazen Bond, law and bond clerk, Treasury Department, and Mr. Herbert D. Brown.

Mr. TAWNEY. Gentlemen, the meeting will come to order. This hearing is a little out of the ordinary, for the reason that we have no Committee on Appropriations; but an appropriation bill will have to be prepared and presented before the adjournment of this session of Congress, and on that bill it is proposed to carry several provisions that perhaps are not strictly in line with the appropriations. One of them is in relation to the premium rates now charged by the bonding companies of the United States to officers and employees of the Government. Complaint has been made by the bonded officers of the Government that the rates have been very largely increased since January 1, 1909, the increase in many instances amounting to a substantial reduction in the salaries of the employees, which will necessitate either an increase of salaries or an appropriation to pay the premium rate directly from the Treasury of the United States. It has never been the policy of the Government to carry any insurance or to insure the fidelity of its employees.

In a bill that I introduced early in the session, for the purpose of meeting this condition, I incorporated a provision as follows:

That hereafter no bond shall be accepted from any surety or bonding company by the United States for any officer or employee which shall cost in excess of the rate of premium charged for such bond prior to January first, nineteen hundred and nine: *Provided*, That hereafter the United States shall not pay any part of the premium or other cost of furnishing a bond required by law or otherwise of any officer or employee of the United States.

The publication of that paragraph has given rise to some serious complaint on the part of the bonding companies. Their representatives have called on me since that time and asked that they might be given a hearing before this matter was brought up for action by Congress at this session. I consented to the proposition that a hearing be accorded them, and I notified the gentleman from Baltimore, Mr. Bartlett, in order that he might notify the others. The purpose of this meeting to-day is to hear what you gentlemen may have to say in opposition to this provision. Inasmuch as there are quite a number of you gentlemen here, and the business of your various companies is pretty nearly alike, I would suggest that you select one or two persons to make a statement as to how the proposed legislation may affect your business. If all of you should speak there would naturally be great repetition. Therefore if you will select one or two to make a statement here to these Members of the House, who were members of the last Committee on Appropriations, we will be very glad to hear you.

**STATEMENT OF MR. J. KEMP BARTLETT, FIRST VICE-PRESIDENT
UNITED STATES FIDELITY AND GUARANTY COMPANY, OF
BALTIMORE, MD.**

Mr. BARTLETT. Mr. Chairman and gentlemen of the committee, your committee will perhaps be interested to know how many surety companies are represented in this gathering here. There are eight companies personally represented by the gentlemen who are here, and I have in my hand telegrams from the presidents of four other companies, stating that the notice which they received was too short to enable them to reach here, and asking me to represent them. You have therefore, out of 18 or 20 surety companies doing business in the United States, 12 companies actually represented in this meeting, from which it will be safe to assume that the opinions expressed here fairly represent the views and the wishes of a large majority of the surety companies of this country.

Mr. Chairman, we were not quite sure, when we were given permission to come here, as to whether it was to discuss the provision incorporated in the census appropriation bill, to which you have called our attention, or as to whether you would wish to hear from us also upon another suggestion which we understand has been made, and which, if it meets with your approval, we assume would take the place of the provision in the bill that is before you. I refer to the suggestion that has been made and referred to in the press—the establishment of a fidelity fund. I understand from your remarks, Mr. Chairman, that you do not expect us to discuss that suggestion, but to confine our remarks to the provision as incorporated in the census appropriation bill.

Mr. TAWNEY. As to that, I would say that the House is not yet completely organized; that is, the committees have not yet been appointed, and the establishment of a fidelity fund is an entirely new proposition, which will involve a great deal of consideration. I did not deem it wise to enter upon any field of new legislation of that kind at this time without mature consideration, and therefore concluded not to do anything with respect to that suggestion at this session of Congress. It may be taken up at another session of Congress.

I do not know. The only proposition here at the present time is whether or not the rates in force prior to January 1, 1909, were reasonable and fair rates of compensation for the services which the surety companies rendered to the officers and employees of the Government, and whether the loss ratio under those rates was such as will justify their continuance, or whether in view of that loss ratio the rates should be increased.

Mr. BARTLETT. I am obliged to you for outlining the scope of this hearing. Now, a few words as to the history of the surety business. Very few of the companies engaged in this business are more than 10 years old. Not any of them has had a business of more than twenty-five years. The business is still in its infancy. One thing has been demonstrated more than anything else to people who have invested their capital in that business and who have obtained such experience as can be obtained from a practical study of the business, and that is that even ten years' time is too short a period upon which to establish reliable statistics for the purpose of showing what is the actual cost of carrying any particular class of risks.

I will illustrate that by referring to an experience of my own company with a particular class of government official bonds. Indian agents are required, as you know, by law to give bonds. For ten years we have been bonding Indian agents. Ten years ago the rates charged to the Indian agents were at least twice as high as they were during the year 1908, and what I say as to those bonds is true also of all government official and nonofficial bonds. The rates have been constantly decreasing for a period of two years, until they reached a low ebb in the fall of 1908. Our company received about \$1,800 a year for ten years for bonding Indian agents, and during that ten years it paid out losses of less than \$500. Naturally to a layman that would look like a profitable business. The books showed that it was a profitable business, but within the last thirty days a claim was collected by the United States Government from our company on an Indian agent's bond written six years ago, expired three years ago, charged off of our books as no longer in existence; and yet the Government collected \$14,000 on it. So that I say, you can not take even a period of ten years upon any class of government official bonds and argue from the experience you happen to have had with respect to that particular class of bonds that you know exactly the cost of carrying the risk. If we had done that we would have said last January that the cost of carrying the risk of Indian agents was pretty nearly nothing, less than 5 per cent of the premiums received. Now, every other company has had a similar experience.

Mr. TAWNEY. Let me ask you right there: Is it not a fact that within the last few years the system of keeping the accounts of Indian agents has been so modified and changed that that condition which you spoke of could not possibly happen again in that department?

Mr. BARTLETT. On the contrary, Mr. Chairman, it has not been more than sixty days since this very case which I have referred to was argued by me in the Supreme Court of the United States, and it did not appear in the trial of that case in the courts below, before it was taken to the Supreme Court, that there had been any change in the system of accounting or keeping accounts. But I will tell you, Mr. Chairman—because it is interesting—how that loss arose, if you would like to know. It was not because the Indian agent had em-

bezzled \$14,000. Far from it. The Interior Department sent to that man certain moneys to be disbursed to a tribe of Indians. The law says that Indians who have at any time within a certain period been in insurrection forfeit the sums that are paid to them by the United States, the guardian of the Indians. Things happened to be so hot in that particular agency that this particular Indian agent had not the courage to enforce that law. He distributed this money among all of the Indians, and he gave the bad Indians the same pro rata that he gave the good Indians, whereas he should have returned to Washington the money that he paid to the bad Indians; he should have withheld the money as a punishment from the bad Indians and rewarded the good ones by giving them their share. It took the United States three or four years to surcharge his account with the sum that he had actually disbursed to the Indians who, under the strict letter of the law, were not entitled to receive it, because they had committed certain offenses which caused them to forfeit under the law the annual sums that they would otherwise have received from the Government. I know of no change in the keeping of the accounts.

Indian agent bonds are not the only bonds wherein, long after the officer retires, long after he dies, his accounts are surcharged because it is found that he has committed some error of judgment. My own company has at the present time four claims pending against it by the United States Government, involving over \$50,000, because of its suretyship of paymasters in the navy, not one of whom embezzled a cent of money, but each one of whom paid out money in good faith contrary to what was afterwards determined by the Navy Department as being the legal channel through which the payments should be made.

Mr. TAWNEY. Is it not a fact that the bonding companies have never paid to the Government a dollar on account of mispayments of paymasters?

Mr. BARTLETT. That is not the fact, Mr. Tawney.

Mr. WHELAN. That is not the case. I will refer you to the case of John Colwin, bonded for \$5,000, in which the Fidelity and Deposit Company paid \$6,500 to the Government on October 5, 1897.

Mr. BARTLETT. Within my own personal experience there is a case—I do not know that I can give the name, but I can furnish it later—where a paymaster during the Spanish war made certain disbursements, and—

Mr. TAWNEY. When was that payment of \$6,500 made?

Mr. WHELAN. October 5, 1897.

Mr. TAWNEY. Has there been a payment made within the last ten years?

Mr. WHELAN. I could not say.

Mr. TAWNEY. I have a copy of a report from the Paymaster-General of the Navy saying that within the last ten years not a dollar has been paid.

Mr. WHELAN. It would take all we have received from that source for the ten years to reimburse us for that one loss.

Mr. BARTLETT. Mr. Tawney, I was just about to refer you to the case of a paymaster in the navy in which our company was surety. We paid quite a large sum, but it would not appear on the records of the Navy Department as paid by the surety, for the reason that we paid the money by check to the paymaster himself—a perfectly

honest man. He was without property; his account had been surcharged because of a ruling which seemed to render it necessary to surcharge his account. He had disbursed honestly all the money put into his hands, but the sudden termination of the Spanish war brought about a condition such as to render the disbursements which he made improper disbursements.

Mr. TAWNEY. Mr. Whelan, you say that that payment was how much?

Mr. WHELAN. \$6,871.05.

Mr. TAWNEY. That was more than you could make for twenty years?

Mr. WHELAN. I say from the bonds we had written in our company on navy paymasters.

Mr. TAWNEY. I want to call your attention to the premiums for the last five years, from 1904, on account of pay officers of the navy of all ranks. The premiums for 1904 were \$3,376.10, and then on account of miscellaneous, \$195. In the year 1905 it was \$3,532.90 for paymasters and \$195 miscellaneous premiums. In 1906 it was \$3,650.50 for paymasters and \$195 miscellaneous. In 1907 it was \$3,630.90 on account of paymasters and \$262.50 miscellaneous, while in 1908 it was \$3,787.70 on account of paymasters and \$404.25 on account of miscellaneous.

Mr. WHELAN. Were those premiums actually received by the surety companies?

Mr. TAWNEY. Yes.

Mr. WHELAN. The only answer I can make by way of explanation of my remark is that of course those premiums were divided among 17 companies. I would hazard the assertion that it would take twenty years' premium rates from those we have bonded—of course making allowance for expenses, because there are expenses in this business—to reimburse us for that loss, getting our proportion of the 17 companies from the receipts which you have mentioned there; and also in that connection we happen to have paid a loss on account of the disbursing officer of the former census. I understand that question has given rise to some features of this discussion. Our company bonded Barrows, the disbursing officer of the census. We paid over \$8,000 to the Fidelity and Deposit Company, which is a surety company. With the expenses of investigating that loss, it ran close to \$10,000 before we got through. I had an interview myself with Mr. Barrows. In settling our accounts with the American Surety Company, of New York, it was necessary for me to go to see Barrows, and I went to see him at the Trenton Penitentiary. You will remember that he was convicted and sentenced to the penitentiary. Barrows told me that we were very lucky. He said the amount might have been more. He said it was just as easy to have stolen more as to have taken what had been taken, but that he did not need it. He said he had lost it by playing the races at Benning, and it ran from \$50 to \$100, etc. I think our records show a little over \$8,000.

Mr. TAWNEY. As a matter of fact, under the system of bookkeeping which is now in force as the result of the investigation and recommendation of the Keep Commission, a loss of that kind would be absolutely impossible, would it not?

Mr. WHELAN. I do not know about the new regulations.

Mr. TAWNEY. Have you given any consideration at all to the change in the system of accounting and bookkeeping that is now in vogue when you increased the rate?

Mr. WHELAN. We have never been able, Mr. Chairman, to get as free access to the auditors as we would like when we established these rates. Our requests to them have not been met with that cordiality which I think should be extended by the departments. I have a proposition or suggestion to make which I think might go far, very far, toward reconciling these conflicting views between the Government of the United States and the surety companies, but I hesitate to interrupt Mr. Bartlett sufficiently long to explain or state what it is.

Mr. BARTLETT. I yield to you. Go ahead.

Mr. WHELAN. There seems to have been some difficulty in arriving at a fair and reasonable rate which could be furnished to the average department without taking an average of the regular department bonds. We have suggested to you, Mr. Chairman, that you have a representative from each department of the Government meet with a committee of our companies and sit down and let us see how these rates may be adjusted in each department and each subdivision of each department, so as to give the companies a fairly remunerative rate in their business and at the same time to give to the employees of the Government the benefit of a reasonable and fair rate; and I suggest that that be done, Mr. Chairman, and between now and December next we can no doubt arrive at a fair basis, a fair schedule of rates for the various departmental bonds, and we could then submit that, so that when you reassemble here in December we would be able to come before this committee with a representative of the Government and say, "Now these rates seem to be satisfactory all around."

Mr. TAWNEY. Would you, without an investigation of that kind, be able to state what in your judgment would be a reasonable rate?

Mr. WHELAN. We are very much at sea on account of—

Mr. TAWNEY. Take the ratio of losses to premiums, based upon your experience with the Government in the past five years: What, in your judgment, would be a reasonable ratio? Suppose the loss ratio is not more than 10 or 11 per cent, what would be a reasonable rate, based upon that experience?

Mr. WHELAN. I think, Mr. Chairman, there is a little error into which the accounting officers of the government departments have fallen, because they have included a class of bonds upon which there would be a very little liability in making that average, and therefore you can not apply the same rate to a nonhazardous bond as to a hazardous bond.

Mr. TAWNEY. You speak now of the bonds issued to indemnify the Government against loss on account of officers and employees, not on contracts?

Mr. WHELAN. Our company bonded the superintendent of the mint in San Francisco, one of the finest men in his section of the country. A clerk of his stole some \$40,000. That clerk himself was bonded in only \$5,000. We paid that \$5,000 to the Government on his bond. That made the superintendent of the mint liable for \$35,000 on his bond guaranty to the Government. Through the efforts of Senator Perkins, of California, supplemented by the efforts

of Mr. Knowland, a Member of the House from Oakland, the Government allowed him credit upon that, and our company has advanced that amount to that gentleman to enable him to pay it to the Treasury Department, and it was repaid to him; and therefore I say there is a very hazardous class of bonds—treasurers of the United States, assistant treasurers of the United States, and superintendents of mints, who are liable, and who are absolute insurers of the money of the Government; and when you undertake to fix the rate to them you surely ought not to fix the same rate as for less hazardous classes of bonds. Take the case of the army and navy paymasters—

Mr. TAWNEY. It is not expected to fix an arbitrary flat rate upon all classes.

Mr. SMITH. Can you not fix the percentage of profit that the company ought to have? Have you had a long enough experience?

Mr. WHELAN. Of course you can fix the percentage.

Mr. SMITH. What do you say would be a fair rate in that sense? How much should the gross receipts of these companies exceed their gross losses in percentages, assuming you have had sufficient experience to find out?

Mr. LIVINGSTON. Is not that just the trouble? You do not know, and there is no way by which you can find out.

Mr. WHELAN. There is a way by which, if we could sit down with the government representatives, we could arrive at that.

Mr. TAWNEY. You are talking now about classifications.

Mr. WHELAN. I am not attempting to evade the question. The other question was asked at the other side of the table. I wanted to say that the liability on the bonds of the different departments is different, and we can get that.

Mr. SMITH. That has nothing whatever to do with this question.

Mr. WHELAN. Your question was this: Could not the companies arrive at what they thought would be a fair average profit on the business? I say they can.

Mr. SMITH. Don't you know, after your long experience?

Mr. WHELAN. I would have to calculate the expenses.

Mr. SMITH. Don't you know that the fire insurance companies have a very definite idea of what proportion of their premiums they can pay in losses?

Mr. WHELAN. You must distinguish between fire insurance companies and surety companies. In the case of the bond of a government officer the hazard may run ten years, and indemnity may be demanded ten years after the particular offense has been committed.

Mr. SMITH. The offense has to occur within a particular period?

Mr. WHELAN. It may be discovered later, you know.

Mr. SMITH. I am asking you if it is possible to know just what the rate to cover the actual losses ought to be in each separate branch of this Government, and what per cent you ought to ask of that to get your rate of premium.

Mr. WHELAN. I think that can be answered.

Mr. SUPPLEE. Mr. Chairman, I would like to say one word in answer to that. The figures of all the companies show that Mr. Bartlett's company has made 10 per cent on its underwriting for ten years, and the companies are entirely satisfied with that.

Mr. SMITH. That is not what I asked about at all.

Mr. BARTLETT. Let me explain, if Mr. Whelan is through. I think that question can be answered. In the case of fire insurance companies, as the gentleman has said, it is known what is a legitimate profit on underwriting, and I think that profit is understood to be about 15 per cent. That is, if the fire insurance companies can pay its losses and have 15 per cent left, I understand it is doing a fair and prosperous business.

Mr. SMITH. That has nothing to do with the question I asked you, and therefore we are talking at cross-purposes. I am asking you to cover your expenses and profits, and after doing that, what percentage should be added to the actual losses paid?

Mr. BARTLETT. I do not know whether I get just your meaning or not, but let me say this, and perhaps we will see whether there is any difference, and if so, where that difference is. The expenses of the surety business I get from the sworn annual statements of all the insurance commissioners of all the States. The expenses of doing business range between 45 and 55 per cent on premiums received. Of course, during the first and second years of any company's history the expenses of doing business amount to 100 or 200 per cent of the premiums received, but after it gets down to its pace the expenses range, according to the economy of management exercised, between 45 and 55 per cent. In other words, every premium received has got to contribute its proportion of expense, and one-half of every premium can be assumed to go to the expenses of the company. The agent gets 25 per cent as his commission.

Mr. SMITH. That is higher than the respectable fire insurance companies pay.

Mr. BARTLETT. It is a little higher. Fire insurance companies' expenses are also 50 per cent of the premium.

Mr. SMITH. No company pays a subagent, a record agent, over 15 per cent.

Mr. BARTLETT. That is true. The subagent gets 15 per cent, and the general agent gets 10 per cent. There is a solicitor, who gets something, and the general agent gets some, but the fire insurance companies pay from 20 to 25 per cent of every premium, and then they also have overhead expenses, and the expenses of adjusting losses; and you will find that the expense of fire insurance companies are just about the same in proportion to the rate of premium as those of the surety companies—that is, 50 per cent. The surety companies can not reduce that, because 25 per cent is what their agents get, and the other 25 per cent is consumed in the adjustment of losses.

Mr. SMITH. Do you have anything between the record agent and the general agent? Is there anything between them?

Mr. BARTLETT. Some companies do, but ours does not. Our company was organized in 1896, and it never appointed a general agent except in small agencies, a county or part of a county, and he was required to deal directly with the company. That was the policy of our company, but the policy of several of the other companies followed the plan of the fire insurance companies. The only difference that makes with our company is that the man bonding, the man that gets the application, earns all the commission we pay. There is no middleman who gets a profit out of the subagent's work.

I have tried to answer your question. First, we have 50 per cent premium for expenses. The returns will show that that is the case without much fluctuation. Some years it has been a little more, and in some years a little less, but that is fair. The average losses of the surety companies within the past ten years, based upon their premium rates, range between 34 and 38 per cent. Sometimes a company will run up to 40 or 45 per cent in one particular year, and sometimes it will be unfortunate and run down to 30 per cent, but the average is what I have given to all the companies, 37 per cent, and add that to the 50 per cent, which is fair, and you will have 87 per cent for paying the losses, and you will have 12 or 13 per cent left for paying your stockholders, which is not too much to get in view of the risk incurred.

Let us prove that. What have these companies paid to their stockholders within the past ten years? I have looked it up, and I can tell you. During the year 1908 the average dividends paid to the stockholders by all the surety companies was 3 per cent. Some paid none. Some paid more than 3 per cent. There is \$35,000,000 invested in this business, but the average return received by that \$35,000,000 is 3 per cent, and from the year 1898 to the year 1908 the average dividend received by stockholders has been 6 per cent.

MR. TAWNEY. You include stock dividends as well as cash dividends?

MR. BARTLETT. Yes; I include all. There have been more reductions in capital than of stock dividends.

MR. SMITH. The capital, I take it, is invested in these companies as reserve?

MR. BARTLETT. Of course it is a protection of the bond.

MR. SMITH. But it is all invested.

MR. BARTLETT. These dividends, small as they are, have not been the result of underwriting profits, but have come as the result of the investment of the \$35,000,000 in interest-bearing securities. The surety companies buy the most conservative investments they can buy. They do not invest their money in 6 per cent securities or 5 per cent securities, with some exceptions. They have got to buy government bonds, and municipal and state bonds, and the best railroad bonds, because the insurance commissioners of the several States are most conservative and exacting in their requirements in that respect, and the statutes of many of the States designate the particular kind of securities in which the capital of surety companies shall be invested.

MR. TAWNEY. Have any of the companies invested in monazite mines, or in other mining companies?

MR. BARTLETT. Not that I am aware of. Our company has taken over a pyrites mine. Perhaps that is what you refer to.

MR. SMITH. Can you tell us anything as to the overhead charges of your company as compared with those of life and fire insurance companies?

MR. BARTLETT. They are much less than those of fire and life insurance companies. The companies, I believe, are economically managed. They afford employment for a great many people.

MR. SMITH. Do you know the expense of the overhead charges in your company as compared with the premiums received? Do you know what percentage it is?

Mr. BARTLETT. I could answer that, but not offhand, because I have not figured it. Our expense of 50 per cent is chiefly made up of 25 per cent to the agent and the investigation of risks and losses. We maintain our own offices in the principal cities, and instead of hiring an agent on a commission in the great city of New York, where his commission would be much larger, if he got 10 per cent, than the salary of the president of the company would be, we rent our own office and employ our own agent and clerks, and have a force in that office of ninety-odd clerks. There is a great deal of detail in that business. Each company represented around this table writes several hundred thousands of these bonds. There is a great deal of expense connected with the investigations involved. The surety companies try to investigate the applicants carefully. They do not insure everybody. The keeping of accounts involves a very heavy expense.

Mr. TAWNEY. What do you estimate as the expense of investigating risks?

Mr. BARTLETT. With our company it is not less than $7\frac{1}{2}$ per cent of the premiums. I am not certain just what it is, because I have not aggregated the figures in that way. There has been a great rivalry in this business, resulting in these agencies in the principal cities. Whether operated as my company operates them, as branch offices, renting the office and paying everybody a salary, or whether they are operated by independent agents on commission, there has been a great rivalry between the companies, and each one of these big agencies has employed a corps—I might almost say an army—of solicitors, running around soliciting business, who are paid either on the salary or the commission basis, and therefore the cost of getting the business is with us, and I think with the others, something more than 25 per cent. It will run up to 30 or 32 per cent. The cost of taking care of the business is also a big item. Every one of these companies has field men, so called, who travel several times each year the entire country over, each man being assigned to a district. Those men are paid good salaries, because it requires men of ability, and their expenses also must be paid. What do they do? They go and examine a county treasurer's accounts, to see if he is short or not. They turn up and discover more embezzlements than all the Secret Service and detective agencies of the country combined. They are sent out for that purpose. If a surety company is on the bond of an embezzler, the sooner it finds it out the better it is, because the smaller will be the embezzlement.

Then there is another corps of men whom these surety companies employ. Our company has over a thousand agents, and some of the other companies have more. Men must be sent out to travel and see those agents, and see if they are getting their share of the business in the different localities. I am just giving you a glimpse of the way in which this business is conducted, so that you can see whether it is possible for a company to reduce the rate or not.

Mr. SMITH. To reduce what you say to a brief statement, the ratio of the premium to the loss should not exceed three to one, should it, or about that?

Mr. BARTLETT. That is correct. The loss should not exceed one-third of the premiums.

Mr. SMITH. The premiums should not exceed about three times the losses?

Mr. BARTLETT. That is absolutely correct.

Mr. SMITH. That was my original question.

Mr. BARTLETT. We are very obtuse. I understood it in the same sense as Mr. Whelan did.

Mr. WHELAN. I was trying to calculate, in answer to your question. That is the point.

Mr. BARTLETT. Now, that brings me to some figures that you will be interested in. It is a difficult thing for these surety people to know what the percentage of their losses to the premiums is. That is what I had in mind when I spoke about this Indian agent. I do not want to repeat myself. The percentage of losses to the premiums in our company in ten years, up to a certain period, was 32 per cent, but in thirty days more it was 98 per cent.

Mr. SMITH. We are talking about it in the light of long experience.

Mr. BARTLETT. Yes; not only long experience, but you must also consider the contingent loss, especially in connection with bonds.

Mr. TAWNEY. When does a bond become a contingent liability?

Mr. BARTLETT. The moment it is written.

Mr. TAWNEY. It is not the amount of contingent liability you were speaking of. When does it become a contingent liability in that sense?

Mr. BARTLETT. When a man dies or goes out of office it remains a contingent liability if the bond runs to the Government without limit.

Mr. TAWNEY. The companies have always carried these contingent liabilities, have they not?

Mr. BARTLETT. No; they have not. The liability has always existed, but the companies have not always recognized it as existing.

Mr. TAWNEY. Are they recognizing it now?

Mr. BARTLETT. They are learning every day to recognize it by bitter experience, and they are realizing it since the matter was called to their attention last summer. The insurance commissioners told them last summer that if they did not realize it they would put them out of business. I do not know whether you gentlemen are aware of the concern and anxiety which the insurance commissioners of this country have felt for and concerning the surety companies, merciless as it was at the convention in Detroit last August, when a committee was appointed to investigate the surety situation. Mr. S. Hazen Bond, who I am glad to see is here, made an address at that convention, I think, in which he spoke of the deplorable condition into which the surety business had come, and assigned as the cause of it the senseless cutting of rates, reducing the rates, as he said, in that address—

Mr. SMITH. That was scalping that he was talking about, done in the local agencies. Was not that what he referred to?

Mr. BARTLETT. I will read from Mr. S. Hazen Bond's address:

One has only to refer to the annual reports of the insurance departments to find justification of this uneasiness. The reports for last year show that out of 18 companies actively engaged in fidelity and surety business, 15 paid dividends during the year. Of these only four earned during the year the full dividends paid. Eleven earned during the year no part of dividends paid, and three paid no dividend. Fifteen of these 18 companies suffered reduction of surplus. It may be claimed that these reductions were due to depreciation in the value of securities. And this may be partly true, but it is also true that in some cases the increase in losses paid over last year's figures amounted to more than

the total reduction in surplus. In one case the loss increase was 200 per cent, more than the amount of surplus reduction.

When it is remembered that the income upon investments has in many cases been more than sufficient alone to meet the full amount of dividend payments, the business, from an insurance standpoint, presents a still less encouraging aspect. It should also be noted that during the past year four companies have found it necessary to reduce their capital. The reduction in three cases amounted to one-half, and in the other case to one-third of the capital stock. Other companies have reduced their capital during the past few years. Several companies have voluntarily gone out of business, and three companies have failed.

This unfortunate condition, it is claimed, is due almost wholly to inadequate rates, but we are told that adequate rates have been restored. For how long? How soon will it be before competition again induces the stronger to underbid the weaker companies? What guarantee have we of its permanence? Who guarantees the guarantee companies?

Now, that fairly expresses the situation as it was felt by the insurance experts of this country, the insurance commissioners. There is no more expert body of insurance men in the country than the commissioners of the several States assembled in their national convention. They required the presidents of the surety companies to come before them and tell them their condition. Of course they knew their condition from investigation, but they compelled them also to discuss with them ways and means for the betterment of the surety situation, and that question turned upon the reserves. We surety companies did not agree with the commissioners as to the reserves, but they insisted on our having the indicated reserves, and that brought about results in some quarters that were not felt before, and an appreciation of the fact that they were doing business at ruinous rates, which would mean bankruptcy if continued.

Mr. SMITH. Have not these companies been engaged in cutting rates in competition, locally?

Mr. BARTLETT. There has been keen competition, local and otherwise. No two companies have ever charged the same rates for a bond unless it was done by accident.

Mr. LIVINGSTON. Do you suggest the taking out of these local companies that you say were so damaging to the business and the putting of the business in one? Did you adopt the Rockefeller plan?

Mr. BARTLETT. No, sir; not to my knowledge.

Mr. SMITH. Has this competition existed with respect to government work in the sense of discrimination between individuals?

Mr. BARTLETT. Our company has charged upon these government bonds what it chose to think it could safely accept for the risks. There have been certain target cases where every company has gone after a particular bond because it was large, and there the rate cutting has practically known no bounds. One company will take it for 20, another for 15, another for 12 or 10, or even for 7½ cents per hundred dollars of bond. The idea was to get it on the books. That idea has resulted in discrimination, no doubt, but not because of any desire to discriminate. It has resulted from the bitterness of our skirmish for the particular business from time to time.

Mr. SMITH. Is it not a fact that your business is so young, comparatively, that there are no fixed standards of what the premiums ought to be?

Mr. BARTLETT. That is true; but we know this, if we continued to charge what we charged in the last three or four years—and the

charges have been coming down and down in that period—we know from the fate of some companies that failed—four of them—and other companies that have had to reduce their capital in order to prevent the impairment thereof; and every company has suffered a loss of surplus, and we know from that that we can not continue on that rate any longer, and must get better rates than we have hitherto been getting.

Mr. SMITH. Do you say you have any knowledge that would enable you to state to this committee that the government premiums have not constantly been in excess of three times the amount of the losses? Take the aggregate premiums at the lowest rate.

Mr. BARTLETT. Let me give you figures that I have before me.

Mr. WHELAN. You are speaking of government employees?

Mr. SMITH. Yes.

Mr. BARTLETT. If you include the contract business, we would show that the companies have paid millions of dollars.

Mr. SMITH. I do not mean those.

Mr. BARTLETT. In one year we paid a great many losses on bonds on star-route cases. But you do not care anything about that, and we will not burden you with them.

Mr. SMITH. No; those have nothing to do with what we are considering.

Mr. BARTLETT. Here are some figures covering the years from 1895 to 1903, inclusive. That period of nine years is taken that far back because the premiums were higher then than they have been since, and because the farther back you take the period the greater is your experience as to what loss those particular premiums will produce. You can not form any basis at all by taking last year's premium rate and saying you have paid out such and such losses, because you will continue to pay less for the next ten years.

Mr. SMITH. Pardon me for interrupting you, but in view of the fact that the statute of limitations does not run against the United States and there is an unlimited liability on these bonds, the actual payment on the bonds is trifling.

Mr. BARTLETT. No; that is not the case. We have \$50,000 of pending claims against us now in the War and Navy departments, where we considered those cases as dead long ago, but where some error of judgment has rendered them and us liable.

Mr. SMITH. In the great and overwhelming majority of cases are not the shortages discovered in a short time?

Mr. BARTLETT. I guess that would be true, but it would be a great fault to totally omit it.

Mr. SMITH. I would not totally omit it.

Mr. TAWNEY. The Government's present accounting system has been in force for the last two years and makes it impossible for any large defalcation to occur, for the reason that disbursing officers must render an account of their balances monthly and make quarterly settlements, whereas heretofore their balances were made yearly and settlements were made yearly; so that every month now the officials have notice of what their balances are, and know if the money in their charge has been properly disbursed. That is one consideration that I think ought to be taken into account in determining the rate which the bonded officer should pay.

Mr. BARTLETT. I agree with you, and I am glad to hear that greater care is taken with respect to these officers, because I have in my hand the names of ten men, all disbursing officers, who have in the last ten years embezzled large sums.

Mr. TAWNEY. In what department?

Mr. BARTLETT. The Treasury Department. George A. Bartlett got hold of \$20,000, and the Fidelity Company paid the loss. A man by the name of Karr, of the Smithsonian Institution, got away with \$74,000. Barrows, of the Census—

Mr. SMITH. Is \$74,000 in the case of Karr correct? It was stated to us as \$7,400.

Mr. LIVINGSTON. It was determined, when he was convicted and sent to the penitentiary, that it was \$70,000.

Mr. SMITH. Has that been paid?

Mr. WHELAN. We were on that bond, I think, Mr. Smith, and paid the penalty of it. I do not recollect just what it was; \$5,000 or \$10,000.

Mr. TAWNEY. The losses paid during the ten years ending December 31, 1908, by the Treasury Department were \$135,493.75. The premium rates under the present new rate in five years would aggregate \$369,357. The ratio of losses of new premiums would be 18.3 per cent.

Mr. BARTLETT. And the ratio of losses to the old premiums—is that shown there, Mr. Chairman?

Mr. TAWNEY. No; but the average premium under the new rate would be \$2.71.

Mr. BARTLETT. I have here the name of Yeatman, who stole \$30,000, and he gave personal surety.

Mr. TAWNEY. When was that?

Mr. DOBBIN. Yeatman died about eight years ago. It was discovered after his death.

Mr. TAWNEY. I was informed by the War Department that not a cent had been paid in the last ten years.

Mr. BARTLETT. That is correct, because no surety company signed his bond. He furnished personal surety; and there is a habit on the part of personal sureties to get rid of the assets when a loss involving their destruction comes up. My information is that the Government collected nothing from the bond. I am giving the defalcation of disbursing officers during the past ten years, emphasizing the need of some improvement such as that which, as Mr. Tawney has stated, has taken place in the keeping of accounts. I had not heard of that improvement heretofore. It has not yet affected our loss ratio. It is of too recent a date to show improvement.

Mr. BURLISON. But it ought to be taken into consideration in fixing your premiums for the United States, for its officers and employees, after the 1st of January next.

Mr. TAWNEY. Mr. Brown informs me that this statement includes all the losses, whether on personal surety or bonding companies. There have been none in the last five years in the War Department and none in the Navy Department.

Mr. BARTLETT. Then I have the case here of Worcester, who stole \$45,000 from the Public Health Service. I have been asked to finish this list, and there are only three more names on it. Worcester, you understand, was bonded. He was an honest man, but Boyd, who was not bonded, a subordinate, got about \$45,000.

Mr. BURLERSON. In what service?

Mr. BARTLETT. In the Public Health Service.

Mr. WHELAN. That was the situation in the Bartlett case. I wanted to mention it to the chairman.

Mr. BARTLETT. You mean in Bartlett's case it was not done by him personally, but by another?

Mr. WHELAN. It was done by Boyd. There is a suit now respecting that.

Mr. BARTLETT. Then there was Richter and Kickhoeffer in the State Department.

Mr. TAWNEY. The Richter loss was paid by his friends, was it not, and not by the surety companies?

Mr. BARTLETT. I am not citing this to show that they were paid by the surety companies, but to show that the losses were incurred.

Mr. SMITH. In fact, none of that was paid by the surety companies. On one of those that you put in as \$74,000 you paid \$7,400. It was claimed that only \$7,400 of it was government money, and that was by you paid.

Mr. WHELAN. It shows what the disbursing officers of the Government have taken.

Mr. BARTLETT. The statement has been made, gentlemen, that it is much safer for surety companies to guarantee government officials, because they are a higher class of men than men in private life, and I cite the losses simply to show that there are weak members even among government officials.

Mr. TAWNEY. I have a statement here, taken from the books of the Treasury Department, that shows the losses on account of bonded officers down to June 30, 1908, together with the amounts recovered from principals and sureties. It shows that only one was a corporate surety. One loss only was paid by a corporate surety.

Mr. BARTLETT. We have tried several times to obtain from the departments here statistics showing how many personal bonds are given.

Mr. TAWNEY. That was in the Treasury Department.

Mr. BARTLETT. We suppose a great many personal sureties are still given.

Mr. WHELAN. Is that but one loss, Mr. Tawney?

Mr. TAWNEY. There are nine in all, but only one was a corporate surety.

Mr. WHELAN. Who was that one?

Mr. TAWNEY. George A. Bartlett.

Mr. WHELAN. Our company is unfortunate in having had the only one.

Mr. BARTLETT. I have some figures here, Mr. Chairman, that may be interesting.

Mr. WHELAN. May I say a word showing what the responsibility is under government bonds? In the Bartlett case our company had a \$20,000 bond on Bartlett prior to January, 1904. In January, 1904, the Government asked Bartlett to furnish an additional bond of \$50,000. We furnished that bond. This man Boyd issued fraudulent vouchers, and they were forged. He was a clerk in the Marine-Hospital Service. Bartlett paid those in perfect good faith. There was no dishonesty on Bartlett's part. They were approved by Boyd's

superior officers, and Bartlett issued his checks to pay them. There was \$34,500 of liability. We paid the bond in 1904, and the Government is now suing us for \$14,000, trying to make it retroactive before 1904. In other words, this occurred in 1903 or 1902, and the Government of the United States is trying to make us pay that \$50,000 bond on account of the forgeries that occurred in 1901 and 1902 and 1903, one or two or three years before that additional bond was given.

Mr. BURLESON. You have a lawyer, haven't you, and you have not paid it yet, have you?

Mr. WHELAN. We have; certainly. But I want to say to you, in reply to the question that was asked me by this gentleman (Mr. Smith), that the Government is the most exacting task-master that ever lived.

Mr. KEIFER. The contract of that bond of \$50,000 must have covered past and future defalcations, or they would not sue you?

Mr. WHELAN. The Government contends that it was, and we contend that it was not.

Mr. KEIFER. It was part of the terms of the \$50,000 bond, and was supposed to apply to future acts. Of course, the Government has good lawyers or they would not sue you.

Mr. WHELAN. But who has paid us one cent for that \$50,000 bond. We never have received a dollar premium for that. Who paid us for the liability? We got our premium for 1904, 1905, and 1906, and now the Government is suing us for three years back, and we were never paid a dollar.

Mr. KEIFER. No good lawyer would sue on a bond of that character unless the language permitted it. I know something about that character of suit, and with respect to that sort of a bond you need not worry about a suit unless to cover a defalcation, either of the past or of the future.

Mr. WHELAN. I mentioned that bond, not on account of the dispute between the Government and the surety company, but simply to show the immense liability there is upon those bonds.

Mr. BARTLETT. The Government does not sue unless it has a good case; at least, that is my opinion.

Mr. SMITH. We have been somewhat interrupted and diverted from the question that I asked. Will you not please give us the ratio of your eight years of premiums to the losses in the government service?

Mr. BOND. Mr. Whelan has explained the cumulative liability on prior bonds after a subsequent bond is given during the same term, and it is held that because they do not receive any premium on that prior bond after the subsequent bond is given, therefore they should not have a liability.

Mr. WHELAN. I have never said that.

Mr. SMITH. Was not that the case in the Bartlett matter?

Mr. BARTLETT. No. Bartlett was an honest man, yet we are claimed to be liable for \$34,500 for a man in a different department of the Government whom Bartlett innocently paid, and we are held to be liable on Bartlett's bond.

Mr. KEIFER. But it must have been by reason of the terms of the bond?

Mr. BARTLETT. Oh, we appreciate that. I am not disputing the legal liability, but I am showing how the liability may amount up on these bonds in a manner that is not shown in any other branch of

bonding. When you bond the cashier of a bank you are not held liable for the acts of the teller or the bookkeeper, for each one must have a separate bond.

Mr. KEIFER. That is because all good bankers require all employees to give bonds.

Mr. BARTLETT. Exactly so; and if the Government would require all of its officers and employees to give bond, then you could arrive at a different rate of premium here.

I think that if the committee will look carefully into this matter, and will let us sit down and deal with the officials of the Government, as has been proposed by Mr. Whelan, that we can arrive at a correct solution, because they have facts that we have not, and we have some facts that they do not have. Let us sit down with an officer from each department of the Government, and let us deal with them and see where our rates are too high, if they are too high.

Mr. KEIFER. I do not think anybody is disputing that proposition, but the point is as to whether there should be an arbitrary increase so much above that of the past, before taking the action that you speak of.

Mr. BARTLETT. But I wish to say to you gentlemen that we have used our best judgment in this matter, and we are not appearing before this committee—

Mr. BURLESON. But you admit that you have not taken into account the new system of accounting?

Mr. WHELAN. I can not agree with you that there is such a system of accounting in the Government as that which has been spoken of, and I wish to say that no less distinguished a man than Mr. Haskins—

Mr. BURLESON. But we insist that there is.

Mr. WHELAN. There may be a great improvement; I will not dispute that. But no less an authority than Mr. Haskins has said that the system of accounting of the Government is of a loose character as compared with the systems prevailing in mercantile and manufacturing establishments of this country.

Mr. KEIFER. There has undoubtedly been a great improvement.

Mr. WHELAN. I sincerely trust there is, but that we will take into account. But you take the collectors of internal revenue, who are liable for the acts of all subordinates. Take the mint officers, and the officers of the Treasury of the United States. There must be a different grade of premium for those officers. Take the case in New Orleans, where the money was burned up in the mint at New Orleans. The Supreme Court of the United States held that the bond of the treasurer of the mint was responsible for that money, even though it was consumed by fire.

Mr. SMITH. But you got relief from Congress in that case, did you not?

Mr. WHELAN. But Congress may not always grant us relief.

Mr. TAWNEY. Did I understand you to say, Mr. Whelan, that some firm had found fault with the government system of accounting?

Mr. WHELAN. I said that that remark appeared in a public address by Mr. Haskins, that the system of accounting of the Government was loose as compared with the large corporate systems of the country.

Mr. TAWNEY. Was not that the firm that was employed to devise the present system of accounting which is now upon the statute books?

Mr. WHELAN. I am not prepared to answer. Certainly, they are very expert accountants.

Mr. TAWNEY. They were employed by the Dockery Commission. They devised and prepared the present system of accounting supplemented by the rules or regulation which was adopted as a result of the investigation of the Keep Commission, requiring all disbursing officers to furnish monthly balances.

Mr. WHELAN. Reference has been made to a table. I will say that our company happens to be an older company than some others. We went into business in 1890.

Mr. TAWNEY. In that connection I want to add to my statement just made, that C. W. Haskins and E. W. Sells, who later comprised the firm of Haskins & Sells, expert accountants, were the experts of the Dockery Commission.

Mr. WHELAN. It may have been prior to that time that the address that I referred to was delivered.

Mr. TAWNEY. The act changing the Government's accounting system was passed in 1894, and Mr. Haskins's reputation as a great accountant was based largely on his connection with the Dockery Commission and the work it wrought in establishing the Government's present accounting system.

Mr. BARTLETT. I have seen that same statement mentioned by Mr. Whelan. I thought I had that extract here.

Mr. SMITH. All of this is very interesting, of course, but it would seem to me that it is more important that we should know the ratio of the premiums to the losses.

Mr. TAWNEY. In relation to the criticism that has been made of Mr. Haskins and Mr. Sells as to the system of government accounting, I would like to have the record show that those are the gentlemen who devised the present system of accounting that is in force by the Government of the United States.

Mr. WHELAN. Was that in force in 1895?

Mr. TAWNEY. The new accounting system went into effect in 1894.

Mr. WHELAN. Was this since the Barrows defalcation?

Mr. TAWNEY. It was after the Boyd defalcation. The Barrows was after that.

Mr. WHELAN. Then I am right.

Mr. TAWNEY. After that day, but before the new accounting system.

Mr. WHELAN. Mr. Chairman, there is only one thing. We happen to be one of the older companies. When you made your statement as to the object of this hearing, you alluded to the fact that the companies had increased their rates in effect prior to January, 1909. Then it becomes a question, whether Congress would either have to increase salaries, or to make appropriations to pay the cost of the bonds. I happen to have before me a table which gives the rates on bonds before 1900. I did not know that it entered into the minds of the Members of Congress that they would either have to increase salaries or appropriate money to pay for the bonds. I hold a table in my hand which shows the rates in force prior to 1900, and the rates in force now.

Mr. TAWNEY. What department of the Government are you referring to?

Mr. WHELAN. All of the departments of the Government. For instance, as an example, we will take the Post-Office Department; for instance, letter carriers. Our company was getting \$5 each, but now the rate is \$1.

Mr. BURLESON. It would be interesting if you would give the amount of the losses and the amount of the premiums in that department.

Mr. BARTLETT. It is a very difficult thing to do. You are turning on difficult ground, because no two companies have statistics alike. When you are making them up from year to year you change the classifications.

Mr. BURLESON. It is of no importance what you charged in 1900. I think if you will respond to the questions propounded by Judge Smith and show what the premiums have been and what the losses have been, then we would have some light upon the proposition as to whether or not the companies are charging higher premiums than they ought to charge.

Mr. WHELAN. I was only introducing this for the purpose of answering him, and in relation to the question as to whether the premiums are unduly high; that prior to 1900 the premiums were so much, and now they are about 100 per cent less.

Mr. SMITH. No; not quite that, because that would not be anything. But that has nothing to do with it. The question is: What is the ratio of your premium receipts to your losses? According to my opinion that is all there is in this subject.

Mr. BARTLETT. Gentlemen, I am prepared to give those figures if Mr. Whelan is through, and that was what I was about to do when the chairman called upon Mr. Bond. I have stated that one of the companies here is prepared to submit a statement showing its premiums and receipts between the years 1895 and 1903, inclusive, and I explained why they went back to that period instead of taking the less period of ten years, which was to get the benefit of all the experience that they could get. These are the receipts upon everything in the Post-Office Department excepting the star routes—that is, all officials in the Post-Office Department.

Mr. SMITH. Does it include the deputy postmasters?

Mr. BARTLETT. Deputy postmasters, inspectors, clerks, and everything excepting the men who furnish supplies, and the men who carry the mail under contract, because you would not be expected to be interested in knowing what the contract losses were.

In 1895 the amount of risk assumed by this company upon that class of business was \$26,000, and the premiums received were \$135. The following year the risk assumed was \$112,000, and the premiums received \$287. And so it runs, without taking up your time in reading them, until we come to the year 1903, when the amount of risk assumed was \$3,500,000, and the premiums received were \$6,200. You will thus see that the premium rate was constantly decreasing.

Mr. TAWNEY. Is not that amount of sufficient size to give you a reasonable basis upon which to figure the ratio?

Mr. BARTLETT. Yes. Take this period from 1903 to 1909. I think we can tell what that business cost the company, but I do not think, if we take that period ending with 1908, that we could arrive at a

conclusion as to what the experience of the company was, because sufficient time had not elapsed to find it out. At the end of the year 1906, as of December 31, 1906, this table shows that the premium receipts were \$26,477, received between 1895 and 1903—that is, allowing three whole years to lapse after the end of the period. At the end of that period the losses were only \$2,062. Would not any board of directors go after that business? But we have had thirteen years' experience on some of it, and three years' experience on another part of it—

Mr. TAWNEY. On the basis of \$26,000 premiums, do you say that that would be a fair test upon the basis of that amount of premium?

Mr. BARTLETT. No; not that. I say that on the 31st day of December, 1906, this particular company had collected \$26,000 in premiums in ten years ending with 1903, and that it had only paid out, as a result of that amount of collection of premiums, about \$2,000 in losses, but if they also knew that they had this deferred contingent liability we were speaking about—and, by the way, you asked me when it began. I think it began on the day the bond was written. But when does it end? is the question that the surety men want to know; not when it begins. It is always there; it is in the air; you can not see it; but you know it is there.

Now, we come along to December 31, 1907, and let us see what the experience of the company was at that time with this same \$26,000 in premiums. In that year it had paid two losses that had been discovered, one originating in 1899, eight years before, of \$9,964, and it had paid \$10,108.40 on a loss originating in 1902. It knew absolutely nothing about those losses at the end of 1906, just as we, sitting here to-day, know nothing of the losses that we have not been notified about, and have not paid. But we know that our company has \$500,000,000 of contingent liabilities that will ripen surely into some losses, but we do not know how much, and you, Mr. Chairman, can not tell us what that will be reduced to in dollars and cents. But we surety men know that it means something, and that time only will tell.

Now, our company paid out those two losses that year, which brought its ratio of losses upon that class of post-office official business—the class you are interested in—from 8 per cent, which was shown at the end of the year 1906—\$2,026—up to \$26,000, or up to 83 per cent at the end of the next twelve months. And at the end of the following twelve months it had increased a fraction of 1 per cent over 83 per cent, making 84 per cent that that company has paid to the United States Government out of \$26,000 received in premiums from the officers of the Post-Office Department.

Now, there you have a case of actual experience. It does not do to take the premium receipts of the last year, or of two, three, four, five, six, or even ten years past, and compare them with what you have actually paid in that period, because the United States does not release you from hundreds of millions of deferred contingent liability.

Mr. SMITH. But these are but two defalcations, just like two fires, you might say. Have you not anything broader than a single department in connection with its business with a single company? Can you not give us the amounts for a ten-year period?

Mr. BARTLETT. The two losses take just as much money as if it was distributed into a dozen years.

Mr. TAWNEY. But is that a fair way to arrive at an average?

Mr. BARTLETT. Now, I am going to give you the experience of my own company for the past nine years, and for the past four years. I do not think it is worth much, and the reason I read this other table is to demonstrate that. If the United States would say to our company, "Here is a release from all the bonds that you executed prior to January 1, 1909," then these would be actual and reliable statistics. But with that vast amount of deferred contingent liability hanging over us, which during the next ten years will be found to ripen into losses, to take the figures I am going to read, you must take them with a grain of allowance.

Mr. TAWNEY. How can you figure out such an enormous contingent liability in the officials' and employees' bonds of the Government, when their accounts are audited every three months, and when they are required to furnish a monthly balance of all funds in their possession? Do you consider that the contingent liability in the government business—I am speaking only of the officials of the Government—is as great as you do with respect to all other business?

Mr. BARTLETT. Our experience has been that it is more risky to write a government official bond than any other kind of official, and in expressing the thought that Mr. Whelan had in mind, I would say that there is a federal doctrine that applies when a government official, or a subordinate, is short in his accounts, which does not apply in all of the States. That federal doctrine is that the United States Government official is insured to the Government of the safety of the funds in his care. That is why it is that when a man named Boyd, who was an unbonded subordinate, a man who did not contribute a cent out of his own means, steals a large sum of money, that the head of the department, who is honest, but who is not worth perhaps \$50,000, must call upon his surety to make good the loss. That is continually happening. Another reason is that the Government form of bonds is more drastic than any other character of bond. The national bank official gives a bond which we have prepared, but if we bond an official of the United States, we sign a bond which the able lawyers of the United States have prepared, and which contains absolutely no safeguard for our surety. It is not written for that purpose.

Mr. LIVINGSTON. Then why do you not stop dealing with the Government, and deal with these officials direct?

Mr. BARTLETT. My answer to that is, because there is a prestige connected with doing business with the Government. But that is true with all classes. Why do not the contractors stop doing business with the Government? Because there is the allurements in government business that appeals to everybody. There is a prestige to be gotten from doing government business.

Mr. LIVINGSTON. Then you use that as an incentive in getting business?

Mr. BARTLETT. But that is the case everywhere. Why does a little steamship down on the Chesapeake Bay fly the United States flag when it carries the United States mail? It is not for the paltry sum that they receive for carrying the mail. You will find that existing in every activity in this country. There is a pride in doing business with the United States. It helps the companies indirectly.

Mr. LIVINGSTON. But you would get rid of that contingent liability if you got rid of the government business?

Mr. BARTLETT. We would; yes.

Mr. LIVINGSTON. Now, with regard to your answer to Mr. Smith's question as to the ratio of premiums to losses. I put you on notice that your answer in that case must be absolutely a gamble or a guess, and I do not believe you can answer that question, as to what the ratio is, because of this liability that is hanging over you. You may make an answer to Mr. Smith's question to-day that would be absolutely absurd to-morrow.

Mr. BARTLETT. That is perfectly true; yet in thirty years we make no more than we do in ten years.

Mr. LIVINGSTON. But I do not think you can answer that question until you change your method of doing business. Your answer would be a pure guess.

Mr. BARTLETT. With this exception, and that is, that we have not been collecting too much. We do not think we collect enough, and we do not feel that we ought to be forced by Congress—

Mr. TAWNEY. But you are taking it out of the Government, so far as the Indian Service is concerned?

Mr. BARTLETT. No, sir; we are putting it into the Government. We are paying out \$14,000 on a case that the Supreme Court, equally divided, could not tell us what the law was.

Mr. BURLERSON. Do you not think that this business is really too hazardous for the surety companies to engage in?

Mr. BARTLETT. No; I do not. [Laughter.] But here are some figures that I wish to show you.

Mr. TAWNEY. Just one moment before you do that. Speaking of this contingent liability, I will ask you if you carry any reserve to cover that liability?

Mr. BARTLETT. We do. We carry a premium reserve of 50 per cent of our premiums in force. We carry a loss reserve which is enough to cover all known losses. We do not carry any reserve for this deferred contingent liability, because we know of no way to arrive at it, and we say that our capital in surplus is a reserve for that. And that is one of the controversies we had with the insurance commissioners last fall.

Mr. KEIFER. Your future business is a security for that. You let your present business deal with present conditions.

Mr. BARTLETT. That is true.

Mr. KEIFER. You spoke about the liability growing out of the federal bonds because lawyers have something to do with them. Do you not have the same situation with respect to the state officers?

Mr. BARTLETT. Yes; we do.

Mr. KEIFER. Just the same thing, because prosecuting attorneys and attorneys-general of States look into those bonds just as the federal officers do.

Mr. BARTLETT. There is precisely the same situation.

Mr. TAWNEY. In regard to this contingent liability, you have endeavored to create the impression here that it is uncertain as to amounts and indefinite as to time. Under the act of 1888 the Government must bring suit within five years or less from the discovery of the defalcation?

Mr. WHELAN. That is the discovery, though.

Mr. TAWNEY. I understand that. And under the present system of accounting it is inconceivable that the discovery would not be made within a very short time after the defalcation occurred. Therefore the contingent liability is not as indefinite and as uncertain to-day, even as to the amount or the time, as you have endeavored to impress upon the committee.

Mr. WHELAN. I want to ask whether that system extends to clerks of United States courts and United States marshals?

Mr. TAWNEY. It does, and it also extends to the consular service. The State Department has inspectors traveling all over the world. There have been some losses, and those inspectors are constantly examining and checking up the accounts of the consuls-general and the consular officials of the United States.

Mr. BARTLETT. Has that system been in force long?

Mr. TAWNEY. About two years. That is why I asked whether you took that into consideration when you increased the rates.

Mr. BARTLETT. To be entirely frank, this is the first time I have heard of the new system. I had not taken that into consideration at all. I did not know there was a new system.

Mr. TAWNEY. I supposed, when you increased the government rate upon premiums amounting to over a million dollars a year, you necessarily took into consideration the question of the hazard of the risk?

Mr. BARTLETT. We have found that the most serious risks that we assume in connection with the Government are not due to dishonesty, but to some failure to apply an excessively technical provision or ruling, whether a statute or a ruling of the department. And those questions come up years and years after. We paid a loss on a paymaster two years ago, and just a few weeks ago we got a letter from the Treasury Department saying that there was a further loss to be made up. That man has been out of the service for nearly ten years, and we actually paid all the claim the Government had, and got a release from the Government. And here, a few months ago, they say that they have found that he did something else that he ought not to have done, nothing criminally wrong, or even nothing immoral, but he simply paid out money and turned it in to the Government, but year after year had had it allowed to somebody. Now comes an official who puts a new construction on the statute, and says: "This ought to have been allowed, and we will collect it from the surety company."

Now, you have asked me for some more comprehensive figures. I have cited these figures to show that this deferred liability is a real thing, and that any statistics that ignore it are misleading. Our company, for the years 1905, 1906, 1907, and 1908—four years—upon the Post-Office Department employees' bonds alone, exclusive of star-route bonds or those connected with the supply department—

Mr. BURLESON. Let me ask you if all of your statistics relate to the Post-Office Department?

Mr. BARTLETT. No; I just happen to have those at the head of the sheet.

Mr. SMITH. I think this is getting into too much detail. Have you not a summary there showing what your business has been with the Government—showing all of the premiums received and showing the losses?

Mr. BURLISON. An aggregation of all of the departments?

Mr. BARTLETT. I have got it in three figures. It is not added up. It is in three subdivisions.

We have already paid losses of \$15,598 out of those premiums, and we have still got to pay we don't know how much. That is 28 per cent. That is four years' experience. We have paid 28 per cent of it. But here is what I think you want. Excluding all contract bonds, during the same four years, \$100,895, with premiums of \$25,000. But before we average that \$25,000 a year—

Mr. BURLISON. Just give the aggregate of losses in that connection.

Mr. BARTLETT. The losses paid amount to \$25,550. Now, that is 25 per cent already. But you must not overlook the fact that we have still outstanding the vast bulk of those bonds, because every other bond is still outstanding and liable to ripen into losses in the next seven or eight years. That has been the experience of our company under the low rates of 1905, 1906, 1907, and 1908.

Now, just one word more. If this bill becomes a law, it says that hereafter the United States Government shall not pay any part of the premium or other cost of furnishing a bond. You are therefore not legislating in favor of economy in executive administration of the United States, because the United States does not pay any of these premiums. Therefore it does not make any difference to the United States, as such, whether the premiums are high or low. I say that it does not take any money out of the United States Treasury, because this very measure says that none of the premiums shall be paid out of the Treasury of the United States. You are legislating, therefore, for government officials. I do not think the government officials are dissatisfied. But they do not have to go to the corporate companies for their bonds. There is no law that requires them to give corporate sureties. They can still give their friends, and they need not pay their friends anything.

Mr. SMITH. But, as you are well aware, their friends know of the existence of your companies, which would make it exceedingly difficult to get a friend to sign a bond.

Mr. BARTLETT. I know that it would be difficult under the circumstances for a man to ask a friend to go on his bond, but where a friend has real knowledge of a man's integrity and character, or thinks he has, I do not think he would avail himself of the excuse that you have mentioned. But I must say that a government official who does not feel that he can pay for his bond does not have to pay for his bond.

Mr. SMITH. But has it not become vastly more difficult than formerly for a man to secure the services of a friend or friends upon a bond, whether by reason of their taking advantage of the excuse or otherwise; is it not vastly more difficult when a man is confronted with the fact that he can secure the services of a surety company?

Mr. BARTLETT. Well, let us concede that you are right in that, and it might be more difficult because of the existence of this excuse, yet I can not conceive that a man who is really worthy of the confidence of his friends would have any real difficulty in getting personal surety; in fact, I believe, but I do not know, that there are as many personal sureties in these departments as there are corporate sureties—that is, of postmasters under the law. Undoubtedly a man can get out of the act of serving a friend easier than before, yet the gov-

ernment official could merely say that he could not afford to pay the present rate for the surety company; and he could say to his friend, "You have known me from boyhood; you know that I am straight. Will you go upon my bond?" And I apprehend that a friend would not turn down a man under those circumstances.

Mr. SMITH. I think I would rather pay your fee.

Mr. BARTLETT. These bonding companies are a convenience to the public, and they are a real help to government officials. They avoid the necessity of the government official putting himself under obligation to his friends. And I ask why, therefore, should Congress act against these real conveniences of the public? A gathering of insurance commissioners of the country has sounded the note of warning, and has said, with no uncertain sound, as Mr. Bond well knows, "You must do something to insure continued solvency or we will do it for you." The companies have heeded the note of warning, and are simply trying to remain solvent.

Mr. SMITH. I would like to ask you a question or two that may be specific. We are unable to get from you gentlemen anything excepting information in relation to isolated companies' rates, or isolated branches of the public service. It has been conceded here that the rates have been restored and made substantially uniform. I would not suggest even that that was done by agreement between the companies—

Mr. BARTLETT. No; pure accident.

Mr. SMITH. Yes; I presume it is pure accident.

Mr. BARTLETT. And interchange of experience.

Mr. SMITH. And that is just what I was coming up to. I suppose that notwithstanding there was no agreement as to these rates, that there was an interchange of experience. Why is it that on account of, and as a result of, that interchange of experience, upon which you took such important action as to raise the rates 300 per cent in many cases, that we can not get that experience; that we can not know what it is? Why is it not produced here?

Mr. BARTLETT. I will say that notice of this meeting only reached me yesterday, and I had these figures immediately prepared, that I have given here.

Mr. SMITH. But you long ago had the information upon which you raised the rates prepared and upon which you acted.

Mr. BARTLETT. We might just as well be frank about this thing and admit that the books of the company show, excluding the unknown contingent deferred liability, a profit on government official business. That is true. My figures show it.

Mr. SMITH. But we do not know how much profit.

Mr. BARTLETT. I gave it.

Mr. SMITH. On one isolated company in connection with one isolated branch of the Government.

Mr. BARTLETT. That is all the business that I have segregated. It is, in fact, three branches, but the last branch embraces 90 per cent of the whole.

Mr. SMITH. But you do not cover the whole Government.

Mr. BARTLETT. Yes, sir; this covers the whole for the last four years.

Mr. SMITH. You do not mean to say that when you came to raise the rate 300 per cent you bunched them all in, contracts, supplies, and everything else, and gave no consideration to the relative risks?

Mr. BARTLETT. I mean to say this: That we were not as careful in classifying these government official bonds as we might have been. I want to be perfectly frank about this thing. I think a reclassification of the government official rates should be made, and I echo what Mr. Whelan has said. I want to make that reclassification with the aid of the statistics of your department, and I want you gentlemen to bring about the appointment from the departments of some men who can confer with some of our men and get this upon a satisfactory basis.

Mr. SMITH. But that will require time and legislation.

Mr. BARTLETT. It will not require any legislation.

Mr. SMITH. Oh, yes; it will require legislation. We have no control; we can not send men from the departments to confer with your committee.

Mr. BARTLETT. But if you will allow time it will be done.

Mr. SMITH. Now, before your company took this radical action of an advance of 300 per cent, not by "agreement," but, as you say, by "interchange of experience," I should have thought, especially in view of the short history of this kind of insurance, which leaves but a limited table of mortality, if I may use that figure of speech, that if you had received from every company its views based upon its experience as to employees and officials of the Government, and by reason of that you found what a just rate would be, and thereupon advanced the rate accordingly and arbitrarily—that if you did that, I would ask why you do not produce that very material information?

Mr. BARTLETT. Let me tell you the way it was done: The executives of those companies have so much else to take care of that the question of rates is one that they leave to the heads of the respective departments. Each company has an official department, a contract department, and a fidelity department. The heads of these departments, after this meeting of all of the insurance commissioners, met in conference to exchange opinions as to what rates ought to be made in order to provide enough to pay losses, expenses, and some return to the stockholders.

Mr. SMITH. Do you mean that they exchanged opinions without obtaining data from their own books?

Mr. BARTLETT. Each head of each department knew what his experience was. I was not present at those meetings, and I do not know whether they laid the data down on the table or not.

Mr. TAWNEY. That applied to business generally?

Mr. BARTLETT. Yes; to each department of the business. I think officials generally were not segregated from government officials.

Mr. TAWNEY. No consideration whatever was given in the determination of these rates to the ratio of losses to premiums?

Mr. BARTLETT. I suppose there was, but I was not present at those meetings. I do not know that each company felt willing to give to each other company its exact experience. I do not think that they were willing to do that. But, as I say, I was not present at the meeting.

Mr. BURLESON. Upon what did they base their action? I understood you to say that they exchanged experiences.

Mr. BARTLETT. They did, and the experience of every company was that they were losing money. And there is only one way, if

they are losing money, to correct that downward trend, and that is to raise the rates.

Mr. SMITH. On everybody paying excessive rates as well as those paying insufficient rates?

Mr. BARTLETT. No; I suppose there was some sense displayed, but I will state frankly that since this matter has come up I am satisfied from my own information, from such investigation as I have been able to make, that it might have been done more scientifically. I think an army officer, a graduate of West Point, who shall have a pension as long as he lives, and whose record is clean, has less temptation, and that those men and the officers of the navy are safer risks than certain other disbursing officers and ought to be taken at a lower rate.

Mr. SMITH. Do you not know that no graduate of West Point, in the history of the Republic, has embezzled, excepting Capt. Oberlin Carter?

Mr. TAWNEY. In connection with your arrival at this conclusion, I have here a statement of the penalties of the bonds of government officials under the several executive departments for five years. Under your new rate of \$1 per thousand, penalties amounting to \$14,600,000 would produce premiums of \$14,600. Under the new rate of \$1.50 per thousand upon \$23,595,000, it would be \$35,392.50. Under the rate of \$2 per thousand, the penalties of \$33,416,640 would have a premium of \$66,833.28. For penalties of \$200,396,500, under the rate of \$2.50, the premium would be \$500,991.25. For penalties of \$7,954,000, under the rate of \$3 per thousand, the premium for five years would be \$23,862. For penalties of \$23,849,500, under the rate of \$4 per thousand, the amount would be \$95,398. For penalties of \$37,256,000, under a rate of \$5 per thousand, the total premiums for five years would be \$186,280, making total penalties of \$341,067,640, with an average premium rate of \$2.71, amounting to \$923,357.03. That is on the basis of the present rate. Now the aggregate premium on all of these bonds for five years, as I say, would be \$923,357.03.

I have also the losses that have been paid by personal and corporate sureties for a period of ten years, aggregating \$199,620.57. And dividing that by two we get the average losses paid for five years, amounting to \$99,810.28. The ratio of loss to premiums under the new rates is therefore 10.81 per cent.

Now, taking into consideration the experience with the Government, do you consider that 10.81 per cent is a fair ratio of loss to premiums?

Mr. BARTLETT. That would be very low. But hearing all those figures for the first time, it seems to me that you took all the premiums that would be paid in case every officer gave a corporate surety bond, and on the other side you took the collections actually made by the Government.

Mr. TAWNEY. These figures cover the premiums and losses on both personal and corporate surety bonds.

Mr. BARTLETT. But where you took the losses paid, you took the losses paid by the surety companies.

Mr. TAWNEY. The statement includes all the losses paid by both personal and corporate sureties.

Mr. BARTLETT. But have you included the losses which the personal sureties should have paid, but did not because of insolvency, because of course you must take into consideration that factor?

Mr. TAWNEY. It is the losses paid on bonds having corporate as well as individual sureties.

(Following is the statement referred to:)

Table showing the aggregate penalties of bonds of government officials and employees under the several executive departments (except the Post-Office Department), on file in the office of the Secretary of the Treasury, in force during the years 1904, 1905, 1906, 1907, and 1908, classified according to the premium rates adopted by the 17 bonding companies comprising "The Surety Association of America," effective January 1, 1909; the aggregate premiums which such bonds would produce at said rates during a period of five years; the losses paid during the ten years ending December 31, 1908; the average losses for five years; and the ratio of losses paid to premiums adopted. (See Note.)

Penalties of bonds for five years.	New rates per \$1,000.	Total premiums for five years.
\$14,600,000	\$1.00	\$14,600.00
23,595,000	1.50	35,392.50
33,416,640	2.00	66,833.28
200,396,500	2.50	500,991.25
7,954,000	3.00	23,862.00
23,849,500	4.00	95,398.00
37,256,000	5.00	186,280.00
341,067,640	2.71	923,357.03

LOSSES PAID.

Treasury Department.....	\$128,093.75
War Department.....	None.
Navy Department.....	None.
Interior Department.....	21,698.37
Department of Commerce and Labor.....	None.
Department of Justice.....	26,668.53
State Department.....	15,759.92
Department of Agriculture.....	None.
Miscellaneous:	
Civil Service Commission.....	None.
White House.....	None.
Senate.....	None.
House of Representatives.....	None.
Library of Congress.....	None.
National Museum.....	None.
Smithsonian Institution.....	7,400.00
Interstate Commerce Commission.....	None.
Government Printing Office.....	None.
District of Columbia.....	None.
Immigration Commission.....	None.
Territories.....	None.
Joint Commission on Business Methods, P. O. D.....	None.
National Monetary Commission.....	None.
Total losses paid.....	199,620.57
Average losses paid for five years (\$199,620.57÷2).....	99,810.28
Premiums for five years (new rates).....	923,357.03
Losses paid in five years.....	99,810.28
Excess of premiums over losses in five years.....	823,546.75
$\frac{99,810.28 \times 100}{923,357.03}$ = (Ratio of losses paid to premiums).....per cent..	10.81

Each dollar of premium paid would therefore be distributed as follows:

For losses.....	\$0. 1081
For the company .....	. 8919
	<hr/> 1. 00

NOTE.—This statement of official bonds does not include the bonds of officials or employees of the Post-Office Department or any of the bonded deputies, assistants, cashiers, clerks, etc., of the subtreasuries, internal revenue, customs, or other services under the Treasury and other executive departments. It does not include any contract bonds or bonds for the payment of duties and taxes amounting to approximately \$3,500,000,000 annually. A large portion of these bonds are also written by surety companies.

Table showing the premiums that would accrue on the above bonds if rates were based on 300 per cent of losses paid, and the ratio the rates adopted by the Surety Association of America January 1, 1909, bear to such rates.

Premiums for five years (new rates).....	\$923, 357. 03
Losses paid in five years.....	\$99, 810. 28
Gross premiums on basis of 300 per cent of average losses (\$99,810.28×3)	299, 430. 84
Excess of premiums (new rates) over premiums based on 300 per cent of losses paid.....	623, 926. 19
$\frac{923,357.03 \times 100}{299,430.84}$ (Ratio of premiums (new rates) to premiums based on 300 per cent of losses)..... per cent..	308

Mr. BARTLETT. Mr. Tawney, the corporate sureties have always paid 100 cents on the dollar of the ascertained claim, and I think there is not a single case on record where they have not. But there are a great many cases on record where personal sureties have not paid anything on the ascertained claim. If you include in those losses the amounts which the Government collected from the corporate companies, and exclude the large sum which the Government is trying to collect from insolvent personal securities, then I should say that the figures are misleading.

Mr. TAWNEY. Do you know what percentage of the official bonds of the Government have corporate sureties?

Mr. BARTLETT. No; I do not know.

Mr. TAWNEY. Ninety-five per cent.

Mr. BARTLETT. The figures are misleading. They do not put down on the credit side of the ledger the claims that personal sureties would have paid if solvent.

Mr. BURLESON. But if that was only 5 per cent it would be but a small factor.

Mr. TAWNEY. According to this statement, the loss ratio ought to be about 33½ per cent of the premiums taken.

Mr. BARTLETT. That is what ours has been.

Mr. TAWNEY. The loss ratio is therefore one-third.

Mr. BARTLETT. But that does not take account of the fact that losses will continue to be paid. I am surprised that you cite that statement as disproving the actual experience of the companies.

Mr. TAWNEY. I am talking of the actual experience of the Government in the matter of losses.

Mr. BARTLETT. Pardon me, but you are only taking part of the experience of the Government. The Government has not released those sureties, and the Government will continue to collect through

those sureties. At best, it is only a partial statement. You will pardon me for criticising it.

Mr. SMITH. It is as full as the statements submitted by you gentlemen.

Mr. BURLISON. In fact, it throws more light upon your own statement than anything you have given.

Mr. SMITH. Have you not quoted in your schedule rates on numerous officials of the Government who do not give bond?

Mr. BARTLETT. Yes; and we hope that some day they will be required to give bond.

Mr. SMITH. I would like to call your attention to the report of the First Assistant Postmaster-General for the year ending June 30, 1908. I notice that this statement is based upon the assumption of a rate of \$1 a thousand. As a matter of fact, none of your rates in the Post-Office Department is below a dollar a thousand, is it?

Mr. BARTLETT. I think not.

Mr. SMITH. And many above?

Mr. BARTLETT. I think so, at the present time.

Mr. SMITH. So that their assumption of a dollar a thousand is at least very low?

Mr. BARTLETT. I think that is fair.

Mr. SMITH. It is more than fair, is it not, if none are below it? It is more than fair, is it not? I notice it is stated "The sureties on the great majority of bonds of officers and employees, other than postmasters, are corporations, and the premiums charged probably average \$1 for each \$1,000 of the bond. Postmasters are required to give personal sureties, and at least one of the sureties must be a patron of the post-office to which the suretyship relates. At offices of the first and second classes surety companies are accepted for one-half the penalty of the bond. It is the usual practice, however, where a personal bond is given, for a postmaster to furnish to his bondsmen an indemnity bond from a surety company." That is correct, is it not?

Mr. BARTLETT. Yes, sir.

Mr. SMITH (continuing). "The giving of bonds therefore costs postal officers and employees a large sum in the aggregate, the premiums on the bonds being sufficient to pay many times over all the losses that occurred through defalcations. It is apparent that the execution, acceptance, and filing of these bonds entails a vast amount of clerical work. The average annual collections from surety companies and individual bondsmen on account of defalcation of postmasters and employees amount to less than \$32,000." That is the average in the history of the Post-Office Department, at least in recent years.

"The salaries of employees in this bureau alone who are engaged on work incident to the bonding of postmasters, assistant postmasters, clerks, and letter carriers amount to over \$20,000 per annum. It is estimated that the total penalty of postmasters' bonds is \$125,000,000. The amount of the bonds furnished by the surety companies for assistant postmasters at first, second, and third class offices, and for clerks at first and second class offices is about \$40,000,000. The bonds of city letter carriers aggregate about \$35,000,000. The total for the officers and employees whose bonds are handled in this bureau is therefore about \$200,000,000. At the rate of \$1 premium for each \$1,000 of bond the actual payments to surety companies would be

\$200,000. It is estimated that the number of bonded officers and employees in the entire postal service, including mail contractors, is 238,513, and the estimated amount of premiums paid on bonds is \$320,000."

Now, if, as a matter of fact, basing the premiums that you receive in the aggregate upon a dollar a thousand, it pays \$200,000 under the old rate for the Post-Office Department alone, and the average losses are \$32,000, then the old rates were extortionate, were they not?

Mr. BARTLETT. If your premises are correct. But does that report show what percentage of those bonds was written by corporate sureties? I do not think that their rates have been extortionate.

Mr. SMITH. I think they are extortionate. I think 33 per cent is about fair.

Mr. BARTLETT. Well, I have heard that statement read before, and it seems to me—I have never been able to get it—that it omitted to state the amount of the unpaid claims due to the Government for personal sureties. I know that the law officer of the Post-Office Department informed me at one time that they were legion.

Mr. SMITH. Well, let us see whether that is going to help you in this case or not. It says: "At the rate of \$1 premium for each \$1,000 of bonds, the annual payment to surety companies would be \$200,000."

Mr. BARTLETT. That is true. It does not affect that.

Mr. SMITH. There they do not include private business, but they do include losses. That helps you some. "The average annual collections from surety companies and individual bondsmen on account of defalcations of postmasters and employees amount to less than \$32,000."

Mr. BARTLETT. On one side they put \$200,000, and that is all the income that the business produced. You take every bond and multiply it by the rate, then you get the maximum amount of income possible. On the other side you put in the surety companies' payment in losses, and what the individual paid in losses, but you do not put what the surety companies paid in losses if the sureties had written 100 per cent of the business. That is my belief, according to the statement as it was read to me.

Mr. SMITH. But I think you are in error or misunderstood the statement. The statement is that \$200,000 is actually paid. You are not able to contradict that.

Mr. BARTLETT. It says, so many bonds. Take the rate of a dollar. For every bond paying that rate it would produce \$200,000.

Mr. SMITH. But I do not think that is what is said. Taking off 5 per cent given as private bonds——

Mr. BARTLETT. But he does not say that.

Mr. SMITH. But that is what the other statement shows.

Mr. BARTLETT. That is the statement with reference to the Treasury Department.

Mr. SMITH. Now, as a matter of fact, you do not tell us what you get a thousand from these Post-Office Department officials.

Mr. BARTLETT. I would be very much surprised to learn as a fact that in the Post-Office Department there are not as many personal bonds as surety company bonds. The Post-Office Department has to take a great many bonds, and they are usually small in amount and it is easy for a man to get his friends to go on a small bond. I know,

from the law officers of the Department, that they have no end of trouble on those small bonds.

Mr. SMITH. Well, assuming that you are right about that, for the sake of the argument upon this question, yet you are not able to furnish us to-day the premiums actually paid to the surety companies of the United States from the Post-Office Department.

Mr. BARTLETT. Only partially. Our company writes more business of that kind than any other one company; it is one of the large companies.

Mr. SMITH. All your complaint then is, assuming that this \$200,000 includes what would be paid if everybody went to your company, that 16 per cent is the experience of the Post-Office Department in the payment of losses, based upon the amount you claim the Government has been mulcted out of.

Mr. BARTLETT. I think that if you will investigate that you will find that it will change the whole face of those figures, because I know that our percentage in the Post-Office Department on that class of business was 28 per cent.

Mr. SMITH. But you have no figures showing what the contingent liability after a year produces.

Mr. BARTLETT. It is impossible; the business is too young, and that is the crux of this whole situation. This is a young business and do not crush it out. When the first surety company went into business and made rates it made a guess. The rates have been going down ever since, until the insurance commissioners have said: "We are going to close your doors unless you raise them."

Mr. BUBLESON. But not the government rates?

Mr. BARTLETT. They said "rates." They said: "You do not get enough money for the risk carried."

Now, I repeat what Mr. Whelan asked: "Let this matter go over until December. If this committee can bring it about, the companies, with the assistance of Mr. Bond and the other gentlemen of the department, will get together. They will reclassify these rates, and when Congress meets in December, if they have not done it to your satisfaction, then you may do anything you want to. If you pass this law, how are you to tell what was the rate on any particular bond last January, because no two companies charged the same rate. Prior to January 1 there were 20 rates, and who is to determine? It is a thing that is impractical, and it will not help the Government. It is a thing that will help a few officials who can give their friends as bondsmen, and it is a thing that will ruin the companies throughout the country. Then, this is an infant industry. I know that that is not a very popular phrase in Washington now—

Mr. BURLERSON. No; not with me.

Mr. BARTLETT. But it is an infant industry.

Mr. SMITH. Let me ask you what becomes of this 13 per cent of the premium above expenses and losses that you spoke of? How much are the annual premiums for the whole country?

Mr. BARTLETT. My company, the United States Fidelity and Guarantee Company, received premiums of \$2,600,000 in 1908. Its capital is \$1,700,000.

Mr. BURLERSON. Last year was not a fair year for comparison, as it was the poorest year the companies have ever had.

Mr. SMITH. As a matter of fact, you told us a little while ago that after paying the losses and expenses you had about 13 per cent of the premiums left, and that 13 per cent of the premiums was about 20 per cent of the capital?

Mr. BARTLETT. Yes, sir.

Mr. SMITH. What becomes of the 20 per cent?

Mr. BARTLETT. I will tell you. Mr. Bond knows. Mr. Bond and the insurance commissioners make us carry a premium reserve, bearing no relation to the premium reserve in fire insurance, a deferred contingent liability—some of the commissioners say that it is a solvency reserve—and 50 per cent of every premium must be put aside in this reserve to remain there until that bond has ceased to exist as a possible liability, 50 per cent of one year's premium, and if the premium covers a longer period than one year it is prorated.

Mr. TAWNEY. Is that cumulative, or just for one year?

Mr. BARTLETT. When the bond that provides the premium ceases to exist then it comes down, but if that bond is renewed, 50 per cent of the premium must be put aside in this reserve.

Mr. SMITH. That money is not lost?

Mr. BARTLETT. That is what the insurance companies contended last summer and the commissioners.

Mr. SMITH. You do not claim that the money is lost?

Mr. BARTLETT. I say it is an asset.

Mr. SMITH. Is it an asset?

Mr. BARTLETT. I think so; but the insurance commissioners say it is not.

Mr. SMITH. The 20 per cent of the capital?

Mr. BARTLETT. It appears in our statement as a liability. We can not use it. Of course we have the money.

Mr. BURLESON. It is a very limited liability and a very substantial asset.

Mr. SMITH. It is real money.

Mr. BARTLETT. I am very glad to find at last some support of the proposition that I contended for last summer. I think that I was entirely alone in that contention as every commissioner disagreed with me and the other insurance companies disagreed with me.

Mr. KEIFER. That is, it is not an asset in determining the solvency of the company?

Mr. BARTLETT. That is right.

Mr. TAWNEY. Let us understand the premium reserve. You deduct 50 per cent of the premium and credit that to the premium reserve?

Mr. BARTLETT. We do not segregate it as an asset. We do not take the money and invest it in securities, but on the books we have to carry 50 per cent as a liability.

Mr. TAWNEY. Up to the end of the year?

Mr. BARTLETT. If the bond ends with the year, then we can take it down and then it is ours. If there is a renewal premium, then 50 per cent of that premium goes up until the expiration of the renewal.

Mr. TAWNEY. Half or 50 per cent, for instance, of the premium on one bond is credited on your books to the premium reserve?

Mr. BARTLETT. Yes, sir.

Mr. TAWNEY. If the bond is for four years, do you carry that 50 per cent for the whole period of the bond?

Mr. BARTLETT. We used to take it down at the end of the year no matter how long the bond ran, but the commissioners objected to that, and if the bond runs for four years they make us put aside in the beginning a certain pro rata which is more than 50 per cent.

Mr. SMITH. And at the end of the year you take it down?

Mr. BARTLETT. Yes, sir; we take down what the commissioners say we have earned.

Mr. SMITH. This 20 per cent of the capital is an asset, and on your books you charge yourselves with a supposed liability?

Mr. BARTLETT. Yes, sir; we have the money.

Mr. SMITH. And from the earnings of the capital you have got 20 per cent of the capital under the old rates?

Mr. BARTLETT. Yes, sir. If we stopped business to-day, could we settle in time all of our deferred contingent liabilities which represent over \$500,000,000; could we settle them for \$1,500,000? That is the whole question.

Mr. TAWNEY. Do you not carry a loss reserve?

Mr. BARTLETT. Yes, sir; \$700,000.

Mr. KEIFER. Fifty per cent of the premium is set aside during the natural life of the bond, but then you do not keep any of it for the contingency which you have talked so much about?

Mr. BARTLETT. Not on government bonds.

Mr. KEIFER. It looks to me like a sort of fiction, but I agree with you that the liability might be vastly greater after the expiration of the bond than before.

Mr. BARTLETT. Yes, sir; we carry nothing for that; we carry nothing for these governmental bonds.

Mr. KEIFER. Not governmental bonds; it is on everything, and it develops more likely after the expiration of the bond than during the existence of the bond?

Mr. BARTLETT. Yes, sir; we carry nothing for that.

Mr. KEIFER. I think it is fiction.

Mr. BARTLETT. Yes, sir.

Mr. TAWNEY. A moment ago you questioned the conclusion drawn from a statement prepared from information furnished by the Treasury Department with reference to the loss ratio to the existing premium rates which showed a total loss for ten years of \$199,000, and the basis of your criticism of the conclusion was the fact that the statement did not include any of the contingent losses of which you have been speaking. I find from the statement covering the period from July 1, 1898, to June 30, 1908, giving the losses in the Treasury Department, that the total amount recovered aggregates \$165,126.27, of which \$108,408.91 occurred prior to the ten years ending July 1, 1908. The statement includes all losses paid during the ten years ending July 1, 1908, regardless of when the losses occurred. So that the contingent liability you have mentioned, which may accrue on such bonds and be paid hereafter, is offset by the figure of \$108,408.91, representing losses which occurred prior to, but which were paid within, the ten years covered by the statement. The statements of the other departments were prepared in the same way to cover this contingent liability, and on this basis the ratio of losses to the premiums you are collecting is only 10.8 per cent. (See pp. 30-31, inset op. p. 50.)

Mr. BARTLETT. What I meant particularly was that it makes no estimate for the losses which will be paid by the companies themselves.

I do not question that it includes the losses, but there is a certain class which it does not include and which does not amount to much. Sometimes an official will, who is short in his accounts, come to the surety company, to the father confessor, because that is the only place he can go, and say: "If I can square this thing up quietly and save my good name, my wife will turn over a piece of property and will give you some security if it is kept quiet, but if it is not kept quiet my friends will not assist me."

Mr. TAWNEY. Are you doing business that way?

Mr. BARTLETT. Not generally, but we sometimes do business that way. Our aim is always to help to convict the guilty, but if a man comes and admits that he is short in his accounts, under some circumstances we will help him straighten matters out.

Mr. TAWNEY. At the outset you stated that the reason for increasing the rates was because the companies were not doing a successful business and that some of them went to the wall. How many companies failed in 1908?

Mr. BARTLETT. In 1908—my information is from Mr. Bond's statement—there were four companies that failed; not in 1908, but in 1906, 1907, and 1908—the City Trust and Safe Deposit Company, in Philadelphia, which was quite a large company; the Union Surety Company, also a Pennsylvania company; the Keystone Company, which was not much of a company; and the Metropolitan Company, of New York, which was quite an important company, failed in 1908; the others the year or two before that.

Mr. TAWNEY. Four companies have failed in the last four years?

Mr. BARTLETT. Yes, sir.

Mr. TAWNEY. How many companies are there in all?

Mr. BARTLETT. There are now 19 or 20 surety companies.

Mr. TAWNEY. How many new companies have organized in the last four years?

Mr. BARTLETT. The Massachusetts Bonding Company is the only one—a Massachusetts company.

Mr. TAWNEY. Then one company has been organized and four have gone out of business?

Mr. BARTLETT. Yes, sir.

Mr. TAWNEY. How many of them have not paid dividends?

Mr. BARTLETT. I can only say this: That the dividends would not average 3 per cent. I do not know how many paid dividends and how many did not pay; I think it is 15. I read that in Mr. Bond's statement.

Mr. TAWNEY. I have a statement here of the business in 1908.

Mr. BARTLETT. I think 15 companies paid dividends. I do not state that from my own information.

Mr. TAWNEY. Fifteen companies out of 18 paid dividends?

Mr. BARTLETT. That is correct.

Mr. TAWNEY. And the other three companies paid no dividends at all?

Mr. BARTLETT. They paid no dividends at all.

Mr. TAWNEY. One of them, the National Surety Company, paid a stock dividend of 50 per cent?

Mr. SUPPLEE. This was merely restoring the capital reduced one-half in a former year, to create a surplus.

NOTE.—The handy chart of the Spectator Company shows that the National Surety Company, which paid a stock dividend of 50 per cent in addition to a dividend of 8 per cent, has not reduced its capital during the past ten years. The notice of the president of the company to the stockholders of the company reads as follows:

NATIONAL SURETY COMPANY.

115 Broadway, New York, January 18, 1909.

To the stockholders:

The board of directors has this day resolved to recommend to the stockholders that the capital stock of the company be increased from \$500,000, consisting of 5,000 shares of the par value of \$100 each, to \$750,000, to consist of 7,500 shares of the par value of \$100 each, such increase of \$250,000 in capital stock to be paid for out of the surplus earnings of the company and distributed in new stock to be issued to each present stockholder in the proportion of one additional share for each two shares now held.

Herewith inclosed is the notice of meeting prescribed by statute, together with a proxy, which you will please be good enough to sign and return promptly.

Yours, very truly,

WM. R. JOYCE, President.

Mr. TAWNEY. Two companies paid 10 per cent, one company paid 16 per cent, one company paid 29 per cent, two companies paid 8 per cent, two companies paid 6 per cent, one company paid 7 per cent, one company paid 9 per cent, two companies paid 5 per cent, and one company paid 3 per cent.

(The statement referred to by Mr. Tawney follows:)

[The Chronicle, March 4, 1909.]

SOME SURETY RESULTS FOR 1908.

Below is given briefly the results of the operations of the principal surety companies for 1908. There are but 5 of these 18 companies that are exclusively surety, the others writing from burglary down to every casualty line, inclusive. With the exception of the Fidelity and Casualty, however, the principal premium income of all is from surety and fidelity business.

The following shows the premium income for 1908, and the loss and management ratios to premiums; also dividends paid:

	1908 premiums.	Loss.	Manage- ment.	Divi- dends.
		Per cent.	Per cent.	Per cent.
Ætna Indemnity.....	\$549,111	32	82	.....
American Bonding.....	817,973	26	62	10
American Fidelity.....	423,683	43	46	5
American Surety.....	2,101,651	21	66	10
Bankers Surety.....	365,666	37	62	.....
Empire State Surety.....	814,281	28	70	.....
Federal Union Surety.....	288,475	36	57	.....
Fidelity and casualty.....	6,327,321	36	38	16
Fidelity and Deposit.....	1,670,295	30	57	29
Guarantee company of North America.....	199,988	41	65	8
Illinois Surety.....	260,606	16	32	5
Massachusetts Bonding.....	228,182	3	78	.....
National Surety.....	1,800,000	26	52	* 8
Pacific Surety.....	101,155	36	61	6
Title Guaranty and Surety.....	1,629,566	27	67	6
United States Fidelity and Guaranty.....	2,092,413	32	55	7
United States Guarantee.....	163,619	25	58	9
United Surety.....	513,960	20	67	3

* Also 50 per cent stock dividend.

The companies without exception made substantial reserve increases, those which passed the dividend putting the amount to reserve instead, thus increasing their financial strength, and business-getting and carrying power, an exceedingly wise action.

Mr. BARTLETT. The stock in some of those companies is \$200 and in some over \$300 subscribed per share. When I said 3 per cent was the average dividend paid, I spoke advisedly. A company that has \$2,000,000 capital, but where the stockholders have paid \$5,000,000 into the treasury for the stock, if they get 14 per cent on their \$2,000,000 they are not getting over 5 per cent on their money, and some of the companies were organized that way so as to give them strength with the insurance commissioners who look at reserves and pay very little attention to capital.

Mr. TAWNEY. This statement says: "The companies without exception made substantial reserve increases." That is independent of the dividends paid?

Mr. BARTLETT. Yes, sir. The reserve increases are liabilities.

Mr. TAWNEY. The article says, "those which passed the dividend put the amount to reserve instead, thus increasing their financial strength, and business-getting and carrying power, an exceedingly wise action."

Mr. BURLESON. What did they do?

Mr. TAWNEY. They passed the dividends and put the earnings in the surplus.

Mr. BARTLETT. That is not a fact with these companies.

Mr. TAWNEY (reads):

Thus increasing their financial strength, and business-getting and carrying power, an exceedingly wise action.

Mr. BARTLETT. The \$35,000,000 invested in bonds produces an income, but you ought not take the income that is produced by those investments, and argue from that that the surety company has made money not from underwriting. The two are entirely separate and distinct. You can take \$35,000,000 invested in government bonds and never incur a risk and get some return from it. It is a fact and I am not afraid of successful contradiction when I say, that during the past four years the surety companies have gone backward and their surplus, correctly speaking, are less than four years ago. (See p. 85.)

Mr. KEIFER. As I understand, some of these companies did not earn the dividends they paid. How did they do that?

Mr. BARTLETT. The dividends were paid out of the income from their invested capital and surplus.

Mr. KEIFER. Out of interest?

Mr. BARTLETT. Interest receipts or rents. When I speak of earnings I am speaking of underwriting or premium writing, as we call it.

Mr. KEIFER. You stated that you put 50 per cent of the premium aside and take it back at the end of the bond, but you have a great many bonds that are indeterminate; what do you do with them—appeal bonds and administrators' bonds?

Mr. BARTLETT. We put 50 per cent aside for one year and then take it down.

Mr. KEIFER. A bond that has no limitation whatever?

Mr. BARTLETT. Yes, sir.

STATEMENT OF MR. J. FRANK SUPPLEE, BALTIMORE, MD.

Mr. SUPPLEE. The last time I had the pleasure of meeting Mr. Bond and some of the other gentlemen of this delegation was when we used to get together at the annual meeting of the surety men of the District of Columbia and have a little dinner and talk over business. On that occasion Mr. Bond happened to be the last speaker and I was the first. I wish the order had been reversed because I should have been glad to have said a word of appreciation of what Mr. Bond told us. He said: "You people used to get \$5 a thousand and you now get 62 cents a thousand," and he showed us that we did not know anything about the business, and finally wound up with this excellent story: He said an Irishman was engaged in fixing some telegraph wires and the cross arm broke and fell down, and he managed to grasp the last wire and hold on. They shouted to him to hold on, "We will get a blanket and catch you," but before they could get the blanket to catch him he let go and fell down and broke both legs; and when they asked him in the hospital why he had not held on he said; "I thought the wire would break and I would save myself." Mr. Bond then concluded by saying, "I am going to leave you like Pat in the hospital."

I want to say that we have been in the hospital. We have had 46 state doctors trying to bring us around to life. They have performed various operations on us. Some have cut the surplus in two, some the capital in two, and we finally got a consultation of the physicians and they agreed that possibly we might get well by a blend.

My friend, ex-Attorney-General Charles J. Bonaparte, told the whisky men that they did not know what whisky was, and that Maryland whisky was no longer whisky, but simply a blend. Now, we got together and we are going through this whisky process. We are not going to use 500-proof spirits—that is, to charge \$5—nor are we going to charge 62 cents, which is far below proof, and the rate to the government officials will be about a blend, and I think that we will make the dose 250 to 300 proof, a rate of \$2.50 to \$3 per thousand, and make the patient well. Just as we were about to come out of the hospital, Doctor Congress comes along, in the shape of the amendment prepared by Mr. Tawney, and said: "You go on back. This will not do. We are going to take away from you the Government's nourishment or business entirely," and so we are back in the hospital. Any man who knows your records knows that you gentlemen have written your names too high on the ladder of fame for us to attempt to talk to people who know more than we do. We admit that this is preferred business and that it was only one-half the loss ratio of the whole country.

Mr. TAWNEY. Do I understand that you run the business on the basis of charging the officers of the Government of the United States a rate that will make up losses incurred on account of hazardous risks outside the Government?

Mr. SUPPLEE. That is just what I have not said. I said that it was preferred business. We only get \$1 from a government official, and from a man in any other walk of life \$4 or \$5.

Mr. Bond has done some good work for us, and I am not here to criticise him, though this is the first time we have met since he sent

us to the hospital. He has not been treating us well. We would like to come out of the hospital, and we ask you gentlemen to help us.

Mr. SMITH. May I interrupt you?

Mr. SUPPLEE. It is a pleasure always to listen to you.

Mr. SMITH. It has seemed to me in making this raise, which was arbitrarily done, that you gentlemen did not even collect the data that was within your reach. You did not ask the Government for what data it had?

Mr. SUPPLEE. Are you sure?

Mr. SMITH. You gathered all the data from every surety company in the United States and compiled it systematically, so as to ascertain what the rates were without sending to the Government and getting its data?

Mr. SUPPLEE. That is just what we did do; we asked for the data.

Mr. SMITH. You say that you asked the Government for its data before you made the rates which we are talking of?

Mr. SUPPLEE. Yes, sir; but for the sake of avoiding argument, suppose I admit you are correct. What next?

Mr. SMITH. It appears that the companies, without comparing their own data with one another, and without gathering the Government's data, and without taking any of the ordinary business means of ascertaining what this class of risks ought to pay, met and increased this rate, and I say that you gentlemen should accept the old rate until the matter can be investigated rather than to ask a 300 per cent raise over what you have been getting.

Mr. SUPPLEE. Our situation here reminds me of a story: An old darkey was up before the court for some offense, and when his case was called he said to the judge, "If your honor please, I wants a change of venue." The judge eyed him critically, and then demanded of him, "Can't you get justice before this court?" To this the darkey replied: "Oh, yes, your honor, I can get justice here all right enough, but it aint justice I wants. It's mercy I is lookin' for." So, I say, if we have done wrong, if you will give us a chance we will do right. That is what Mr. Whelan said.

Mr. SMITH. You would like to charge the 300 per cent ad interim?

Mr. SUPPLEE. If Mr. Tawney will say that you gentlemen will give us thirty days for revision, I am sure that you will be satisfied with the result. There was opposition in the conference to these rates. My company has always said that they were satisfied with the Government's business and wanted all that they could get. Give us a chance. If this rate is too much, we will go and revise. All we ask is do not shoot the fiddler in this dance; he is doing the best he can.

Mr. TAWNEY. Does your company write any insurance in the Indian Bureau of the Interior Department?

Mr. BARTLETT. We wrote \$1,600,000 for ten years, and we collected \$16,000, and paid to the Government \$15,000.

Mr. TAWNEY. Can you tell the committee why it was that as soon as Congress appropriated the money in the Indian appropriation bill to pay the premiums that the companies charged the maximum rate all the way through?

Mr. SUPPLEE. I would say that was a great error of judgment on the part of the company that did it. I trust it was not my company. My recollection is that it was not. We have been going through some very thorny paths.

Mr. TAWNEY. How many companies are there in this organization?

Mr. SUPPLEE. There is no organization. Seventeen companies have memorialized you gentlemen.

Mr. TAWNEY. How many companies have agreed to make a uniform rate to government officials?

Mr. SUPPLEE. Seventeen are here represented. That would leave three that are not. There is no agreement whatever in existence concerning rates.

Mr. BARTLETT. There are a great many trust companies that do some local surety business, and if you include the trust companies there would be a good many. The trust companies do business in their immediate localities, but they do not extend throughout the country.

Mr. TAWNEY. Do you know whether any of the companies that charge this uniform rate have investigated the experience of the Government in any of the departments in the matter of loss for the purpose of determining whether or not the premium rates were below or in excess of what they should be?

Mr. SUPPLEE. I do not know. It is news to me that any company in the United States failed to investigate.

Mr. TAWNEY. Do you know that one company—what is the name of that company?

Mr. WALKER. The Federal Union, presided over by a former governor of Indiana.

Mr. SUPPLEE. The Federal Union is one of the signers of this paper.

Mr. TAWNEY. They furnished information last February, or before this proposition we are discussing here was even thought of?

Mr. SUPPLEE. I admit that we are ready to do what is right, but I say that the pending bill is impossible because of the rate prior to 1909. There is not any such rate. We are American citizens and we are trying to do the best we can for the Government. Give us a little time and we will fix the rates satisfactorily. Heretofore, whenever three surety men got together they had four ideas. This is the first time in my recollection that they ever got together. They are trying now to be a little more scientific. The only question before us is the question of rates.

Mr. TAWNEY. Whether the present rates are on a reasonable basis according to the loss ratio.

Mr. SUPPLEE. Mr. Tawney, your idea is a good one.

Mr. TAWNEY. My idea is to protect the Government from being placed in the position where the Government will have to pay the premium rate, either directly or indirectly.

Mr. SUPPLEE. You are here to take the burden off the officials, and we are here to help you.

Mr. TAWNEY. I am here as an individual Member of the House of Representatives to try to prevent the surety companies from mulcting the Government of the United States for the amount of the premiums charged on the bonds which are given by officials and employees.

Mr. SUPPLEE. I quite agree with you, and think you will be met more than halfway by the companies.

Mr. BARTLETT. The three companies that are out of this association are quite able to take care of the Government's business and they are willing to do it at the old rate. So there does not seem to be the hardship that some of you imagine. Then there are the trust companies. There is one trust company in Pittsburg with \$26,000,000 of capital and surplus capable of handling the business.

Mr. TAWNEY. A Member of Congress from a Western State brought to my attention the fact that deputy surveyors are required to give bond and that the bonding companies now require that the premium shall be paid not only during the life of the contract, but the premium rate continues indefinitely until the accounts are closed with the department.

Mr. SUPPLEE. Our company has not that rule. .

Mr. TAWNEY. Congressman Mondell, of Wyoming, is the Member of Congress, and he told me that the premium rate is continued until the account is finally settled.

Mr. BARTLETT. As I understand, the statement is that surety companies collect the premium until the time when they are officially discharged from their bond, although the contract may be finished?

Mr. TAWNEY. Yes, sir; the contract may have been finished three or four years.

Mr. BARTLETT. That is not true with our company or any company that I ever heard of. They do collect the premium until the work is finished, but if there is delay—and very often there is—they charge no premium. I never heard of its being done in a single case. The gentleman, I think, must be misinformed. I would like very much to have that specified.

Mr. SMITH. You said that in recent years, if I remember your words, the companies had not earned any profits out of the underwriting; that is, to pay dividends. Will you please specify what you regard as recent years? (See p. 85.)

Mr. BARTLETT. Four years. My observations lead me to believe that.

Mr. SMITH. Is it not a fact that during that period, and especially since 1907, the assets of most of the companies invested in securities have fallen greatly in price?

Mr. BARTLETT. That is true, but I am not taking those matters into consideration, nor am I taking into consideration the income that the companies have received from their own investments, because they get that without doing any insurance business. When I speak of earning money I limit my statement to the underwriting activities of the company.

Mr. SMITH. So far as your capital was invested in securities, there was depreciation?

Mr. BARTLETT. It reduced the reserve.

Mr. SMITH. Do you pay dividends out of the reserve?

Mr. BARTLETT. Out of reserves or income from securities.

Mr. SMITH. So that anything which reduced the reserve would reduce the dividend-paying power?

Mr. BARTLETT. Yes, sir. Our stockholders paid into the treasury \$195,000; that is, approximately; as a matter of fact, it may have been \$183,000. That resulted from the fact that a second issue of our stock was issued at \$140.

Mr. KEIFER. In declaring dividends you do not interfere with the surplus?

Mr. BARTLETT. If we did not pay the dividends the surplus would increase.

Mr. KEIFER. You pay the dividends out of the income?

Mr. BARTLETT. Yes, sir; by the investment of capital and surplus, the reserve of \$1,500,000 and the other \$700,000 for claims in process of adjustment. Our gross assets are about \$4,400,000, and in twelve years' business, up to the 31st of last December, paying dividends of 7 per cent on the capital only for ten years of the twelve years, or nine years—not more than ten years; I think nine years—last December 31 our reserves were about \$200,000, or very nearly the same amount that was paid in, showing that during the twelve years of business we had not gained anything.

Mr. SMITH. Do you not regard the \$1,500,000, probably a large amount of it, as getting ahead?

Mr. BARTLETT. Yes, sir. Perhaps if we liquidated we could settle the losses with two-thirds of the reserve, but it is very hard to tell. Our experience has been the experience of others. You are not dealing with a business that has been very prosperous and which has produced large earnings for its stockholders.

Mr. SMITH. It seems to me that you ought not to expect to build up your reserves in this fashion and pay full dividends, as you have been doing, at lower rates than you now propose?

Mr. BARTLETT. The rates charged to-day are practically lower than five years ago.

Mr. SMITH. But you were doing a small business then as compared to now?

Mr. BARTLETT. There is not very much difference. The money that we have made, if you can say that we have made money, and I think we have made some, part of the \$1,500,000, is not very satisfactory; we can not distribute or spend it.

Mr. SMITH. You say that the rates are practically the same?

Mr. BARTLETT. On the average; some are lower and some higher. I think the Census Bureau rate is higher, but it will take the company thirty years to recover the money taken by the immediate predecessor of the person in that office.

Mr. SMITH. But you make the rates on a class, not on individuals?

Mr. BARTLETT. Yes, sir. You have got to take the whole business. A fire insurance company would look at it the same way. They would not take Toronto or Detroit, where there have been very few fires, but they would take the whole country.

Mr. SMITH. They would not take a building that had burned down and make the rate in that vicinity?

Mr. BARTLETT. After the Baltimore fire they increased the rates, not only in Baltimore, but all over the United States.

I want to be entirely frank and say that there is an agreement and it goes to this extent. It is only for our mutual protection in reinsurance, and neither one company nor another will write the reinsurance unless the rate is adequate, and to that extent and no other have we any agreement.

Mr. SMITH. Suppose a company wants to reinsure with you, does this agreement as to rates fix the rate?

Mr. BARTLETT. That is the only thing the agreement does fix.

Mr. TAWNEY. Do you limit the reinsurance to these companies?

Mr. BARTLETT. No, sir; we have no agreement that binds the 17 companies in any way, but prior to the time when the insurance commissioners forced this condition we had a situation in which the executives of the different companies would not speak to each other.

Mr. TAWNEY. What per cent of the business is given to foreign companies and what to American companies?

Mr. BARTLETT. I think there are only two foreign companies; the Munich company gets some of the business that we can not place among ourselves. If we write a bond of a million dollars, we have to reinsure \$800,000, because it is more than all the 17 companies combined care to carry on any one risk. Then, there is the London company. I do not know of any other. That is a great help to us, because there is not enough capital invested in this business to take care of it. When a battle ship is built by the United States Government and a bond is required of \$5,000,000 or \$4,000,000, it can not be written by all of the companies combined without permission from the Government to waive the 10 per cent regulation in force in the department.

STATEMENT OF MR. D. J. TOMPKINS, OF NEW YORK, N. Y.

Mr. TOMPKINS. One of the sections which you have read practically would prevent the acceptance of a bond on which a higher rate was charged than before the 1st of January last. Mr. Bartlett has commented upon that. It is my impression that some companies during the years 1906, 1907, and 1908 went so far as to permit local agents to make the rates, and an agent in one place would make a rate for a certain class of risks and another agent would make a different rate for the same class.

Mr. TAWNEY. Suppose I had a bond from your company prior to January 1, 1909, and was paying \$1 a thousand, and that bond was to be renewed during the year 1910, and if the premium rate charged is higher or above the rate charged prior to 1909, the officer would not be allowed to accept?

Mr. TOMPKINS. You mean the individual employee?

Mr. TAWNEY. That is where the rate charged for the particular bond is in excess of the rate charged during 1908 for a like bond on the same risk?

Mr. WALKER. The result would be that if any company should have made a rate of 50 cents for letter carriers, no letter carrier would be permitted to pay more, because some one company had taken them for 50 cents during that period.

Mr. TAWNEY. That particular bond. I do not think it applies to the class.

Mr. WALKER. To the class, I mean. The same is true of the rural letter carriers.

Mr. TAWNEY. There has never been any classification. If a letter carrier wanted to get a bond from a company and he had had a 50-cent rate prior to January, 1909, the officer would not be at liberty to accept the bond where the premium rate was in excess of that amount.

Mr. BARTLETT. What would be the effect where a new office was created, where there was no similar office before, and consequently no bond and nothing to furnish a criterion as to the rate?

Mr. TAWNEY. In exceptional cases where new offices of that kind are created I have no doubt at all that the administrative head of the department could very easily adjust the matter by reference to other bonds where similar liability existed.

Mr. BARTLETT. But in case no company was willing to repeat the "folies of 1908," what would then be the situation? An official would be in a very awkward position unless he could induce some surety company to write his bond for that ridiculously low rate.

Mr. TOMPKINS. I do not represent a company which is a member of the "gentlemen's agreement," and I have had no participation in the conference. I wish to ask Mr. Bartlett one question. Suppose, instead of arbitrarily restoring the rates in this manner to those in effect prior to January 1, it is conceded here by the representatives of the companies that they went off without due preparation and that they gather the statistics and study them and make more scientific rates and file with the head of each department a schedule of each rate which has been adopted since the 1st of January and limit themselves to charging just one-half. How does that proposition strike you?

Mr. BARTLETT. I would do that; or, if it would meet with the view of the gentlemen, we could have this conference with the departments immediately. I do not suppose many bonds—Mr. Bond can inform us—will be written during the next thirty days. I suppose that most of the bonds that are to be written for this year have already been written. The number of government bonds to be written is quite small and insignificant. If the departments can meet with the companies, I am quite sure that a satisfactory solution can be reached. Not a conference between the executives of the companies, but between the department heads, each department meeting at a separate time. There was by no means a uniform opinion as to what the rates should be, although all agreed that they should be very much increased. There were differences that had to be settled by compromise. I think that situation can be improved if we can have the aid of the statistics that the Government has now prepared.

Mr. TAWNEY. We will publish these statistics.

Mr. BARTLETT. As soon as they are published the companies which I represent will be only too glad to meet with Mr. Bond and those gentlemen of the other government departments, and I believe that we can agree, Mr. Bond particularly, because we have met with him more often than the representatives of the other departments, because he has been the head of the whole thing.

Mr. TAWNEY. I want to say for the information of the bonding companies that Mr. Bond had nothing whatever to do with the initiation of this proposition.

Mr. BARTLETT. I understand that. The reason I mentioned his name is that he would be the representative of the Treasury Department, the most important department with which we would confer. If this committee will let this matter go over for thirty days, so

that we can in good faith confer with the departments, I think it will not be necessary for you to do more, and I think the work you have already done will accomplish your purpose.

Mr. TAWNEY. The investigation I have given to the subject of government bonds has convinced me that there ought to be a thorough congressional investigation of the whole matter, because it is going to be very difficult to get at. In all departments of the Government there are a great many bonds that are not given here, and there is no record of them here. I thought when this fact developed, before taking up the subject of any legislation at all in regard to the matter, to have a thorough investigation of the bonds of all customs officers and internal-revenue officers and subtreasuries and other branches of the public service where bonds are required to be given, not located at the seat of Government. I do not know if it will be possible for you to arrive at any definite information regarding the aggregate experience of the Government, but you might do it so far as the departments here in Washington are concerned.

Mr. KEIFER. If this matter goes over thirty days it will mean, so far as congressional action is concerned, that it will go over until December, but your idea was to take some action between this and that time?

Mr. BARTLETT. Yes, sir.

Mr. TAWNEY. I do not think it would be possible to work it out in thirty days. From my investigation, I think it will take several months.

Mr. BARTLETT. I think so, too. As I stated a short time ago, we are willing to start at once, and if we do not perform our promise, you will have the power to do anything you want to us next December.

Mr. TAWNEY. The matter will be considered, gentlemen.

Mr. BARTLETT. We are very much obliged to you for the patient hearing you have given us, and I am afraid that we have taken too much of your time.

STATEMENT OF MR. S. HAZEN BOND, LAW AND BOND CLERK, TREASURY DEPARTMENT.

Mr. TAWNEY. Mr. Bond, what is your position in the Treasury Department?

Mr. BOND. That of law and bond clerk.

Mr. TAWNEY. State generally what your business is, and what your duties are.

Mr. KEIFER. Briefly.

Mr. BOND. I have immediate charge of all the bonding business of the Treasury Department. I prepare all bonds of officers of the Treasury, and examine all bonds of the department, such as customs bonds approved by the Secretary, internal-revenue, and contract bonds. I also examine and file all bonds of officers of all other executive departments, except the Post-Office Department. In addition to that I examine and pass upon the quarterly and annual financial statements required of surety companies, and make and publish the rating

or qualifying power to which each company is entitled. I also examine the statements of their single risks in excess of 10 per cent of their capitals and surpluses, and require them to protect such excesses by reinsurance, cosuretyship, collateral deposits, or joint control in the manner provided by interdepartment order dated June 2, 1908, delegating this duty and authority to the Secretary of the Treasury.

Mr. KEIFER. You examine the bonds prior to their approval?

Mr. BOND. Yes; for the Treasury Department. I examine the bonds of the other executive departments after their approval, but before the auditing officers of the Treasury are authorized to make advances of funds. On my notice to the auditors, the officials of other departments, as well as our own department, open their accounts and receive advances of public funds.

Mr. KEIFER. One question further: This authority that you have referred to, does that extend all over the United States, and not alone to those officials about the departments here?

Mr. BOND. It covers all officers of the Treasury Department wherever located, who bond directly to the United States. There are a number of subordinate officers, however, such as deputies, assistant cashiers, etc., in the subtreasuries and in the mints and in the internal-revenue and customs services, who give bonds either to their superior officers, pursuant to the law, or voluntarily, whose bonds are not filed in the Treasury Department and of which we have no record, and there is a great volume of that business.

Mr. TAWNEY. You have a record, however, in the Treasury Department of all bonds given by officers and employees of the Government who are required to give bond to the United States?

Mr. BOND. Yes; and we have also the bonds.

Mr. KEIFER. They are direct bonds to the United States?

Mr. BOND. Yes.

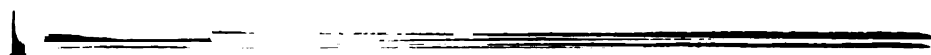
Mr. TAWNEY. You do not have a record there of bonds given by deputy collectors or cashiers or other employees whose bonds do not run direct to the United States?

Mr. BOND. We do not.

Mr. KEIFER. One more question: Do all these bonds that you have a record of, of officers, cover liabilities which may occur in their respective places and offices, no matter whether the officer himself is a defaulter, or anybody under him?

Mr. BOND. The forms of official bonds given to the United States are fixed, directly or indirectly, by the statutes. That is to say, in some cases the law prescribes a form of bond, as in the case of all customs officials, whose bonds are recited verbatim in the law. In other cases the law usually states the conditions upon which the bond shall be given, and we make the conditions of the bond follow the provision of the statute. In the absence of any specific requirement as to the conditions of the bond, the law is construed by the department to require the officer to give a bond for the faithful performance of his duties, and that of course covers the acts of his subordinates.

Mr. KEIFER. Does that alone cover it?



3,532.90	2.50
195.00	2.50
3,727.90	2.50
7,852.50	2.50
	2.50
	2.50
	5.00
	4.00
	2.00
4,897.50	2.50
	2.50
	5.00
	2.00
	2.50
	2.50
	2.50
12,750.00	
454.36	2.50
	2.50
	2.50
	2.50
	2.50
454.36	
	5.00
	4.00
	2.00
	2.50
	0
	2.50
	2.50
	2.50
	2.50

Receipts.

Mr. BOND. Yes. I believe that is considered to be the broadest ordering.

Mr. LIVINGSTON. You do not mean to say that the United States Government requires any specific form of bond?

Mr. BOND. Yes; the law requires it in the case of customs officers.

Mr. LIVINGSTON. Only?

Mr. BOND. Yes; I think it is section 2619 of the Revised Statutes.

Mr. LIVINGSTON. Why should that be specifically stated by Congress when the courts have all held that it is not necessary?

Mr. BOND. It has sometimes been very inconvenient to follow the statutory form of bond, and the Secretary of the Treasury has recommended to Congress that he be authorized to fix the form of bonds in case as in other cases. The bill passed the House at the last session. It frequently happens that it is convenient for the Secretary of the Treasury to assign to collectors of customs certain duties, such as the disbursement of funds from appropriations which are so closely connected with the customs service that it is necessary that the collector shall be responsible for them; for instance, such as the Marine-Hospital Service and the Revenue-Cutter Service, which are indirectly under the supervision of the collector. We now have to require the collector to give a special bond as disbursing agent for each of such appropriations. This he must pay for out of his own funds, in addition to his collector's bond, without any increase of compensation.

Mr. TOMPKINS. All this talk about disasters and misfortunes that have happened to surety companies is somewhat misleading. The loss complained of has not been, except to only a slight extent, the result of inadequate rates on fidelity bonds, but it has been mostly because of imprudent risks for large amounts. They have caught, two or three times a year, excessive losses, running from \$50,000 to \$300,000, and sometimes \$500,000—risks which fire-insurance companies would not write on that basis. Now, the 10 per cent limitation has done more, to my mind, to keep companies stable than any other provision.

Mr. TAWNEY. Your statement is that the condition in which the companies were, and of which the commissioners of insurance complained, is not due to the fidelity bonds, but to risks outside of those?

Mr. TOMPKINS. Yes. It is contract and depositary business, and occasionally court risks, and warehouse receipts, and things of that kind.

Mr. TAWNEY. Now, Mr. Bond, you have stated what your position is and your duties in regard to bonds. Have you prepared or did you prepare the statement which was furnished me at my request, showing the total number and the aggregate penalties of the bonds of government officials and employees in the several departments of the Government, except the Post-Office Department, for the years 1904 to 1908, inclusive? Did you prepare this statement?

Mr. BOND. I did.

(See table facing p. 49.)

Mr. TAWNEY. Did you prepare an abstract of that statement?

Mr. BOND. No; I did not, except the recapitulation at the top of it. It shows the arrangement of the items by years and rates.

Mr. TAWNEY. Here is a memorandum taken from that statement. Have you seen it or examined it?

Mr. BOND. I can not claim any knowledge of it except having had it handed to me by Mr. Herbert D. Brown, your representative, and having seen the statement of the auditors addressed to you, from which the loss experience was taken.

Mr. TAWNEY. This statement which I have just shown you shows the loss experience of the Government in the several departments here in Washington, outside of the Post-Office Department, for a period of ten years. It also shows the ratio of loss to the premium rate now charged on the aggregate penalty of bonds amounting to \$341,067,640, and this statement is made up from the statements of the auditors of the several departments to Mr. Brown, who has been investigating this matter at my instance. (See pp. 30, 31.)

Mr. BOND. Yes, sir.

Mr. TAWNEY. Have you seen the reports of the auditors?

Mr. BOND. Yes; I have seen those reports.

Mr. TAWNEY. It is a correct statement of the losses as reported by the auditors of the several departments?

Mr. BOND. I think it is. I have gone over those figures with Mr. Brown, and I believe they are correct as taken from the reports of the auditors.

(See table facing p. 50.)

Mr. TAWNEY. Now, Mr. Bond, you have heard the statements of the representatives of the insurance companies this morning with reference to your criticism of their methods of doing business and the necessity of their increasing their rates. What statement have you to make in regard to that?

Mr. BOND. The representatives of the bonding companies frequently referred to a talk which I made at the convention of the insurance commissioners at Detroit, last August, and in which I submitted some general criticisms of the lack of scientific basis for the computation of premium rates. They have taken my expressions, which referred to their business generally, however, as being meant to apply to the fidelity bonds of government officials, and in some cases they have not correctly quoted my remarks.

Mr. TAWNEY. Were your statements made with reference to the business generally, or with reference to rates paid by government officials?

Mr. BOND. The statements were of a general character and had to do purely with the fundamental principles involved and the methods pursued by the surety companies in fixing their rates. They were intended to suggest the absolute absence of any scientific classification, which the companies have admitted this morning; and there was nothing in my remarks which justified the conclusion that the rates then charged on the bonds of government officials generally were too low or to justify an increase of those rates. I think I can stand by everything that was said at that time, and the statistics which have been presented here conclusively show that the claim which was then made is correct, that the companies have operated upon an arbitrary basis in fixing the rates upon bonds of government officials, and that

STATEMENT OF THE AMOUNT OF SHORTAGES, LOSSES AND DEBITED BALANCES OF THE TREASURY DEPARTMENT DURING THE FISCAL YEAR 1906

Method pursued by delinquent.

Disbursing clerk, (a)

Superintendent of Customs, New York. Settled under act of Feb. 18, 1905 (33 Stat., 1834). Costs paid, \$79.70.
Collector of internal revenue, Kentucky. Relieved by Congress, act Feb. 20, 1905 (33 Stat., 1834).

Collector of internal revenue, Georgia. Excess of \$2,674.57 is interest. ^b
Disbursing agent, Georgia. Suit brought. Case dismissed by circuit court northern district Georgia, 1897.

Collector internal revenue, Georgia. Compromise under bond of 1893. Nothing recovered on bond of 1894.

Collector of customs, New York. No property found subject to execution, first bond. Judgment for \$3,869.51, interest and cost on second bond. No property found.

Surveyor of customs, New York. Customs duties collected and not accounted for. Suit brought May, 1898.

Disbursing agent, New York. Suit, December, 1900.

Collector of internal revenue, New York. Credited under terms of compromise, \$3,538.01. Balance paid. Money not accounted for.

Disbursing agent, New York. Of amount paid, \$22.50 was on account of costs. Money advanced not accounted for.

Collector of internal revenue, New York. Relieved by Congress Jan. 19, 1903 (act), 32 Stat., 1541. Value of stamps burned.

Collector of internal revenue, New Jersey. Relieved by Congress, act Feb. 6, 1903 (32 Stat., 1603).

Collector of customs, New York. Relieved by judgment of United States circuit court, western district, New York. Affirmed by United States circuit court of appeals. Money sent by express to assistant treasurer, New York, and lost in transit.

Superintendent of Customs, Nevada. Suit against Adams in United States circuit court for Nevada, dismissed Jan. 4, 1904. Value of gold bullion embezzled by two employees.

Superintendent of Customs, Nevada. Reimbursed by Congress, act Mar. 3, 1905 (33 Stat., 1219). Coin embezzled by chief clerk.

Collector of internal revenue, New York. Relieved by Congress, act Feb. 20, 1905 (33 Stat., 1834).

Assistant treasurer, New York. Funds embezzled by redemption clerk. ^c

Surveyor of customs, New York. Duties on imports collected and not accounted for.

Special disbursing agent, New York. (d)

Disbursing clerk, New York. (e)

*\$108,408.91 —

^a Prior to July 1, 1905, within said period but not paid until thereafter.
in the sum of \$5,000. Individual liability was accepted by the Secretary of the Treasury

^b This shortage was recovered from him. Suit was begun against Lyman and his sureties November, 1897.

^c This money was returned to the Treasury as insolvent. In 1906, however, evidence was furnished showing that the principal was not insolvent.

^d Losses resulting from the principal's insolvency were titutted upon the basis of said settlement. The suit is still pending.

^e The loss of \$108,408.91 was covered by the Hospital Service for approval and signature after payments had been made upon it.

in the effort to remedy the mistakes they have made upon their rates generally they have included the federal official business in the general increase, and have actually increased the rates upon the bonds of large classes of officers upon which there has never been a loss.

Mr. TAWNEY. What have you to say, Mr. Bond, as to the working out of the provision which should be enacted into law, of prohibiting any officer of the Government from accepting a corporate surety bond where the premium rate was in excess of the rate charged prior to January 1, 1909?

Mr. BOND. From an administrative standpoint it would be a perfectly workable provision, for the reason that we have definite information, in most cases, of the rates heretofore paid by federal principals; and if the law should provide that the rates hereafter should be the average rates charged for several years past, or the lowest or highest rates charged in the last few years, that could be definitely ascertained, if not from the information that the department already has, then by information from the principals who have paid the rate to the surety companies.

This question of rates has already received a great deal of consideration in the States, and some of the States have adopted this very expedient which you have under consideration, in the absence of a proper standard, of compelling companies to go back to the old rates until a proper rate can be ascertained.

Mr. KEIFER. Let me suggest that it was stated here that four or five or more years ago the rates were much higher than they were recently. Would this enable them to go back and say, "Well, we find that prior to January 1, 1909, at some time prior, we had a much higher rate than we have been charging in 1907 or 1908, and so on?" Might they not go back there and insist on the highest rate that had been charged?

Mr. BOND. With the absolute lack of classification which the companies have here admitted, and in view of the fact that the companies have presented no statistics to show the experience of all of the companies for a period of years, I do not understand how it can be stated what the average rates were five years ago. In fact, it is stated in the brief which the companies have submitted that prior to January 1, 1909, there were no uniform rates.

Mr. KEIFER. Would there not be difficulty, then, in finding out what would be the rate under a provision requiring them not to charge, or requiring that they should not charge, a higher rate than that prevailing on January 1, 1909?

Mr. BOND. No; I think not, provided—

Mr. TAWNEY. It can be limited to the year 1908?

Mr. BOND. Yes; or it can be taken for four or five years prior to that. You will notice that in the tabulated statement which has been submitted by the Treasury Department there is given the actual rates charged treasury officials by the surety companies during the past five years. In most cases these rates were taken from the premium receipts given by the surety companies to the principals and filed with the department. We have not that information so fully as to the bonds of the other departments, because they have not required the filing of these premium receipts.

Mr. TAWNEY. Here is another statement which I would like to have printed in this connection:

Abstract of proposals for furnishing surety on bonds of disbursing officers of the Indian Service.

Name.	Date of bid.	Indian agents.	Special agents.	Inspectors.	Supervisors.	School superintendents.	Superintendent irrigation.	Special allotting agent.	Commissioner to appraise land.
American Bonding Co.....	May 13, 1909	\$4.00	\$4.00	\$2.00	\$2.00	\$3.00	\$2.50	\$2.50	\$2.50
Bankers Surety Co.....	June 19, 1909	4.00	4.00	2.00	2.00	3.00	2.50	2.50	2.50
Empire State Surety Co.....	June 1, 1909	4.00	4.00	2.00	2.00	3.00	2.50	2.50	2.50
Federal Union Surety Co.....	Mar. 20, 1909	4.00	4.00	2.00	2.00	3.00	2.50	2.00	.....
Fidelity & Deposit Co.....	June 7, 1909	4.00	4.00	2.00	2.00	3.00	2.50	2.50	2.50
Illinois Surety Co.....	Mar. 19, 1909	.....	4.00	2.00	2.00	3.00	2.50	2.00	.....
Title Guaranty and Surety Co.	May 4, 1909	4.00	.....	2.00	2.00	3.00	.....	.....	.....
National Surety Co.....	June 14, 1909	4.00	4.00	2.00	2.00	3.00	2.50	2.50	2.50
United Surety Co.....	June 19, 1909	4.00	4.00	2.00	2.00	3.00	2.50	2.50	2.50
United States Fidelity and Guaranty Co.....	May 25, 1909	4.00	4.00	2.00	2.00	3.00	2.50	2.50	2.50
United States Guarantee Co. s	{ Apr 14, 1909 June 16, 1909 }	.....	1.50	1.50	1.50	2.00	.....	2.00	2.00
Bankers' Surety Co.....	June 19, 1909	4.00	4.00	2.00	2.00	3.00	2.50	2.50	2.50
United Surety Co.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Federal Union Surety Co.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Illinois Surety Co.....	Mar. 24, 1909	4.00	4.00	2.00	2.00	3.00	2.50	2.00	.....
Empire State Surety Co.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

* Not a member of "The Surety Association of America."

Mr. TAWNEY. And here is some correspondence with the Paymaster-General of the Army, which can be included:

WAR DEPARTMENT,
OFFICE OF THE PAYMASTER-GENERAL,
Washington, April 29, 1909.

Hon. J. A. TAWNEY,
House of Representatives, Washington, D. C.

SIR: Referring to your communication of recent date, in which you request to be furnished with any data in my possession showing the rates paid to surety companies by officers in the Pay Department who are required to give bonds, or any other information on the subject of premium rates now charged by surety companies, I have the honor to transmit herewith a letter from Col. H. L. Rogers, Assistant Paymaster-General, U. S. Army, dated April 21, 1909, in which he states, in part, that—

"I have the honor to inclose herewith copy of War Department Circular 90, of 1908, giving a list of surety companies acceptable to the War Department, and I have entered opposite the name of each the premium quoted per year per \$1,000 on bonds issued for officers of the Pay Department. Your attention is invited to the fact that the majority of the bonding companies have raised their rates from 75 cents or \$1 per year per \$1,000 up to as high as \$4 per year per \$1,000. To illustrate the increased cost, which I understand took effect January 1, 1909, with my own case: If I had bonded previous to January 1, 1909, it would have cost me an annual premium of \$22.50 (being at the rate of 75 cents per \$1,000), but as I was obliged to bond after January 1, 1909, my annual premium will be \$75 (being at rate of \$2.50 per \$1,000), or an increased cost of \$52.50 per year."

In substantiation of his notations as to rates of premium, Colonel Rogers incloses letters from 19 surety companies, which I transmit to you herewith, and it is understood that in other cases his information was obtained from army paymasters or through agents of the companies in this city.

The acceptance of bonds in which trust or security companies appear as sureties was first authorized by the War Department in 1892, and there has been no case in which such companies have had to stand any loss through default on the part of the bonded disbursing officers of the Pay Department. I deem it only proper to add that it is a well-known fact that a case of default

on the part of a bonded disbursing officer of the army is of the rarest occurrence, and it is understood that a suit upon the bond of such an officer has not been instituted within the last thirty years.

The bonded disbursing officers of the Pay Department of the Army number 3 colonels, whose bonds are fixed at \$30,000; 4 lieutenant-colonels, whose bonds are fixed at \$25,000; 20 majors, whose bonds are fixed at \$20,000, and 25 captains, whose bonds are fixed at \$15,000. At a premium of \$2.50 per \$1,000 the bond would cost each colonel \$75 per year, each lieutenant-colonel \$62.50 per year, each major \$50 per year, and each captain \$37.50 per year.

It is deemed proper to remark that under existing regulations of the War Department companies can be accepted as sureties only when duly incorporated under the laws of the United States or of any State and legally authorized to guarantee bonds.

The present high rate of premium charged by security or trust companies entails an unjust hardship upon bonded disbursing officers of the Pay Department, and I am in hearty sympathy with your efforts to obtain a reduction in these rates, and will be only too glad to furnish you with any other information which you may desire in the matter and which I can obtain from the records of my department.

Very respectfully,

C. H. WHIFFLE,
Paymaster-General, U. S. Army.

PAY DEPARTMENT, UNITED STATES ARMY,
POST PAYMASTER'S OFFICE,
Washington, D. C., April 21, 1909.

PAYMASTER-GENERAL OF THE ARMY,
War Department, Washington, D. C.

SIR: In connection with our recent conversation relative to bonding companies I have the honor to inclose herewith copy of War Department Circular No. 99, of 1908, giving a list of surety companies acceptable to the War Department, and I have entered opposite the name of each the premium quoted per year per \$1,000 on bonds issued for officers of the Pay Department.

Your attention is invited to the fact that the majority of the bonding companies have raised their rates from 75 cents or \$1 per year per \$1,000 up to as high as \$4 per year per \$1,000.

To illustrate the increased cost, which I understand took effect January 1, 1909, with my own case: If I had bonded previous to January 1, 1909, it would have cost me an annual premium of \$22.50 (being at rate of 75 cents per \$1,000), but as I was obliged to bond after January 1, 1909, my annual premium will be \$75 (being at rate of \$2.50 per \$1,000), or an increased cost of \$52.50 per year.

In view of the pending legislation, introduction by Mr. Tawney, of Minnesota, pertaining to bonds in connection with the census bill, it is requested that the information contained above with reference to the rates offered by bonding companies to officers of the army be forwarded to Mr. Tawney for his information.

Very respectfully,

H. L. ROGERS,
Colonel, Assistant Paymaster-General, U. S. Army,
Post Paymaster.

Abstract of proposals for furnishing surety on bonds of officers of Pay Department, U. S. Army, referred to in the above correspondence.

No.	Name of company.	Rate per \$1,000.
1	Aetna Indemnity Co. (Connecticut).....	\$2.50
2	American Bonding Co. of Baltimore.....	2.50
3	American Fidelity Co. (Vermont).....	2.50
4	American Surety Co. of New York.....	2.50
5	Bankers' Surety Co. (Ohio).....	2.50
6	Citizens' Trust and Guaranty Co. (West Virginia).....	2.50
7	Commerce Trust Co. (Missouri).....	2.50
8	Detroit Trust Co. (Michigan).....	2.50
9	Empire State Surety Co. (New York).....	2.50

Abstract of proposals for furnishing surety on bonds of officers of Pay Department, U. S. Army, referred to in the above correspondence—Continued.

No.	Name of company.	Rate per \$1,000.
10	Federal Union Surety Co. (Indiana).....	2.50
11	Fidelity and Casualty Co. (New York).....	2.50
12	Fidelity and Deposit Co. (Maryland).....	2.50
13	Guaranty Trust and Banking Co. (Texas).....	2.50
14	Illinois Surety Co. (Illinois).....	2.50
15	Massachusetts Bonding and Insurance Co. (Massachusetts).....	2.50
16	National Surety Co. (New York).....	2.50
17	Pacific Surety Co. (California).....	2.50
18	Pennsylvania Surety Co. (Pennsylvania).....	2.50
19	Peoples' Surety Co. (New York).....	2.50
20	Southern Surety Co. (Oklahoma).....	2.50
21	The Atlantic Trust and Deposit Co. (Virginia).....	2.50
22	Title Guaranty and Surety Co. of Scranton (Pennsylvania).....	2.50
23	Union Trust Co. of Pittsburg.....	2.50
24	United States Fidelity and Guaranty Co. (Maryland).....	4.00
25	United States Guarantee Co. (New York).....	2.50
26	United Surety Co. (Maryland).....	2.50

Mr. TAWNEY. I want also to file the following, covering improved methods of accounting:

STATEMENT SHOWING IMPROVED METHODS OF ACCOUNTING.

APRIL 21, 1909.

HON. JAMES A. TAWNEY,
House of Representatives, Washington, D. C.

SIR: I have been much interested by the report that you seek to bring about legislation which will protect disbursing officers of the Government from the exactions of the "Bonding Company trust," as evidenced by their new schedule of premiums put into effect January 1, 1909. The increase in rates was particularly inexcusable at this time. Instead of increasing the rates, the companies should have decreased them on account of the greater security to the Government and the lessened liability on their part by reason of the system of accounting which has been in effect since October 1, 1907.

As you may not be fully informed as to the new system, I take the liberty of addressing this personal note to you and calling your attention to the changes which have been brought about by the assembling of disbursing officers' checks and vouchers and the verification of their balances in the offices of the auditors of the Treasury Department, as prescribed by Treasury Department Circular No. 52, dated July 29, 1907.

The old system was open to three serious objections:

First. It was the almost invariable practice of disbursing officers to require that public creditors sign so-called "receipts" and deliver them to the disbursing officer before payment was made, and it was a common practice to require that these receipts be signed in blank, so that the disbursing officer might fill them in for the proper amount. Generally payment was not made for some time after the so-called "receipts" were signed, so that it was easy for the officer to fill in the voucher for such an amount as he saw fit and submit it in his account, without actually paying the amount to the person who signed the voucher.

Second. Public creditors were commonly required to sign two or more copies of the voucher, one to be included as a voucher in the officer's account sent to the Treasury Department and the duplicate to be retained by the officer in his files. Third, fourth, or fifth copies were sometimes exacted for the use of various administrative officers. These duplicates, triplicates, etc., were approved by the proper officers in some cases, so that it was possible to substitute a duplicate for a defective original, and this, in fact, was often done in the settlement of accounts. But these duplicates remaining in the hands of the officers furnished abundant opportunities for fraud. There are notable cases in which such copies were used for fraudulent purposes.

Third, when an officer stated his account and acknowledged a certain balance to be due the United States, no steps were taken to see that he actually had in his hands or on deposit with the proper depository the amount of such admitted

balance. In most of the cases of defalcation by disbursing officers it has developed that the officer for months or years prior to detection has not had on hand the amount of his admitted balance due the United States.

The new system was designed to and has effectually cured the defects above noted. A public creditor is no longer required to sign a so-called receipt when payment is made by check, but in lieu thereof he certifies to the correctness of his claim and the paid check comes from the depository to the auditor and there meets the voucher in payment of which it was issued. In case payment is made by cash, regulations have been so drawn as to make certain that receipts will only be signed and delivered at the time the cash is paid over. By this means any chance of fraud by the use of receipts signed in advance of payment or by duplicate vouchers is eliminated. The paid checks and the depository statement of the officer's account come to the auditor, and by this means the auditor is enabled to and does on each settlement of an officer's account, absolutely determine whether or not the officer has in his hands or on deposit with his depository the amount of his ascertained balance due the United States. This would make it impossible for an officer to be short in his accounts for any great length of time, because a shortage must certainly be discovered by the auditor on the next settlement of that account.

The new system has now been in operation for eighteen months, and while it created some confusion and increased work at first (complaints as to which I imagine reached your committee in the form of a demand for more clerks), experience has demonstrated that it is a vast improvement over the old one, and as the clerks have become more familiar with it and have worked out details, they are operating under it with but slight increase of work and an immense improvement in the way of an efficient audit.

I think you will see from the foregoing that the risk of the bonding companies has been considerably reduced, so that if the old rates were ample under the old system much lower rates should be applied under the new one.

I hope that while you are on this subject you will see fit to make a general inquiry into the subject of bonds of officers in the government service, the number of officers bonded, the amount of their bonds, and the amount paid to bonding companies in the way of premiums. The results of such an inquiry would, I think, astonish you. I have heard it estimated that government officers are now paying \$1,000,000 a year in premiums to bonding companies. Certainly the amount is very large, and, as the Government pays every cent of this premium, directly or indirectly, and will continue to do so, because on the average the Government only gets services equal in value to the net salaries paid, it is a question worthy of consideration.

Very truly, yours,

SYDNEY R. JACOBS,
*Chief, Miscellaneous Division, Office of Auditor
for the State and Other Departments.*

WEDNESDAY, July 7, 1909.

**STATEMENT OF MR. W. E. ANDREWS, AUDITOR FOR THE
TREASURY DEPARTMENT, WASHINGTON, D. C.**

Mr. TAWNEY. Mr. Andrews, you are Auditor for the Treasury Department?

Mr. ANDREWS. Yes, sir.

Mr. TAWNEY. How long have you served in that position?

Mr. ANDREWS. Since June 9, 1897; a little over twelve years.

Mr. TAWNEY. You are familiar with the accounting system of the Treasury Department?

Mr. ANDREWS. I have tried to familiarize myself with it.

Mr. TAWNEY. Is that the same general system that obtains in other departments of the Government?

Mr. ANDREWS. The same general system, with the exception that the Post-Office Department has certain features under specific provisions of law that do not apply to the other departments in exactly

the same way. You will observe that certain exceptions are made with respect to the Post-Office Department with reference to the general account of their funds and certain methods of making their returns. But all of the decisions of that office, as well as the other five auditing offices, come under the jurisdiction of the comptroller.

Mr. TRACEWELL. If you will permit me to make a suggestion, to call your attention to the matter: The accounting system of the postal service is different from the other, while that of the Post-Office Department proper is just the same.

Mr. ANDREWS. I mean the accounting system. That is what I understood Mr. Tawney to mean.

Mr. TAWNEY. Recently we have been having hearings on the subject of fidelity bonds and the increase in the rates charged by bonding companies, which increase went into effect January 1, 1909. Some gentlemen who were present at the hearing criticised the accounting system of the Government, and suggested, as one of the reasons for the increase in the rates, the very large contingent liability of a bonding company under or because of the imperfect system of accounting which it is claimed is in force in the several departments of the government service. It is claimed that it is impossible for a bonding company to know what its liability is on a bond written on a government official or employee, or when that liability ceases, owing to the fact that the statute of limitations does not run against the Government. That is what they call their "contingent liability."

Now, can you state what the present system of accounting is, and in what respect is such contingent liability reduced to a minimum as a result of the present system of accounting?

Mr. ANDREWS. The general system of accounting is laid down in the Dockery law of July 31, 1894, and perhaps a reference to that law, as the basis of the system, would be sufficient. I can add information with reference to the changes that have been made, and which will reduce the liability of sureties, during a period of twelve years.

In 1897, along with others in the department, I took up this very question. We made a very careful review of the maximum and minimum and average liability of the various disbursing officers in the District of Columbia. We made tabulations and submitted them to the Secretary's office for consideration from time to time, to show the actual conditions. It appeared to me as well as others that we could improve our work very greatly by adopting a plan which would crowd the settlements as closely up to date as it was possible to bring them. We directed our attentions toward that point, and for several years past in the Treasury Department we have, with a slight exception of perhaps six or eight months, had our settlements so close to date that any irregularity in the account of a disbursing officer would be very speedily detected. This year we closed the business with just about enough work in the office to consume a period of thirty days, and aside from all the receipts we should have disposed of everything in the office. That puts us in condition to carry these settlements so closely to date with the disbursing officers that we would detect them in any irregularity that was likely to appear, and so quickly that they would have very little time to cover up any of their misdoings.

In addition to that, under the methods that have been adopted by the administrative and accounting officers along through the years,

we have eliminated every margin of risk that was disclosed by experience and study of the situation.

Under the methods adopted after the investigation by the Keep Commission, we now have before us when our settlements are made with the disbursing officer not only the officer's account current, his abstract and vouchers under the various appropriations, but we also have a statement from the depositaries showing what checks have been paid within that period of time, what his balance was at the beginning of the month, and what it was at the close of the month. By means of these vouchers and this statement from the depositaries we are able to ascertain the exact amount of outstanding checks, and from the vouchers determine whether those checks were properly issued or not. By that means we secure a comparison of the balances of the various depositaries as shown by their report in connection with accounts current of the disbursing officers. By this means we are able to call any disbursing officer to an account if he should issue a check for any purpose without a voucher to back it.

Mr. TAWNEY. Within what time could that be done?

Mr. ANDREWS. I may state just there that the accounts under the law would be rendered quarterly unless otherwise directed by the Secretary of the Treasury. Under the Secretary's direction most of the accounts of that department are now rendered monthly. A few of them are rendered quarterly because of the real nature of the business. The disbursing officer must prepare and forward his account to the proper administrative officer within ten days after the close of the month to which the account relates. That administrative office is allowed twenty days to make examination and verification as to its own authorization of the vouchers thus submitted. Thus the administrative office verifies every one of those vouchers, and places upon the account current, or the abstract, a certificate to the effect that those vouchers have been compared with the letters and records of that particular division, bureau, or office, and that they are correct in a specific amount. Then we take them up for examination when they come to us, and aim to dispose of all monthly accounts within thirty days after their receipt in the office, so that the bulk of the business passes to a final audit within thirty days, thirty days being given for the preparation of the account by the officer himself and the examination by the administrative office, so that within a period of sixty days on those monthly accounts we reach a final determination in the settlement by the auditor.

Mr. SMITH. Do you mean, then, ninety days from the expenditure, in many instances?

Mr. ANDREWS. I mean sixty days from the close of the period. An expenditure might be made on the 1st day of January. He would hold that voucher in his possession until the 10th day of February, then the voucher would go to the administrative officer, who would have twenty days more. The auditor usually settles the account within thirty days, and that would make the maximum period ninety days from the payment of the first voucher.

Mr. TAWNEY. After this final audit has been made within ninety days from the day of the payment, is the possibility of loss prior to that time so remote or so near as to materially affect the liability of the surety on the bond of the officer making the expenditure?

a
en.
s, i
coul
s year
fice to
pts we
us in
ne dis-
y that
e very
ted by
years,

Mr. ANDREWS. I consider that the improved methods made within the last ten years through the administrative and accounting offices have reduced that contingent liability at least one-half.

Mr. SMITH. There is one question that I want to get clear in my mind there. Suppose the administrative officers within the twenty days would discover some correction that ought to be made, or at least be in doubt about the correctness of the account, and should return it for any reason to the disbursing officer. What would be the effect, upon your receiving the matter for consideration within the twenty days?

Mr. ANDREWS. The administrative officer must deliver that account to the auditor within the twenty days, regardless of all other conditions or specifications, or we would refuse further advance of money until the delinquency should be waived by the Secretary of the Treasury, or by the President in case of an administrative officer. In other words, a delay beyond the period of twenty days by the administrative officer would compel us to decline the approval of requisitions for further advance of funds, and they would have to go to the President and explain the cause of the delay.

Mr. SMITH. Is it or is it not common that during this period of twenty days the administrative officer frequently finds that corrections of mistakes ought to be made, and has to return them?

Mr. ANDREWS. They frequently do, but seldom go beyond the period fixed by law for the delivery of the account to the auditor. I had one instance of that kind recently that went beyond the period of time, it being the account of the superintendent of the mint in San Francisco. His bullion account for that month was excessively large. Unfortunately, they had a new bookkeeper who made a mistake and inserted the wrong per cent as to the degree of fineness in the purchase of the bullion, so that every line of that large bullion account had to be rewritten. As soon as they discovered that fact in the office of the Director of the Mint, they returned the bullion account to be rewritten and corrected according to the record. That delayed the account, and they had to go to the President for a waiver of that delinquency, but it disclosed to the Secretary and to the President the cause of the delay. But the officers are so sensitive with reference to that point that they make every possible effort to avoid a delinquency of that kind, and when the delinquency occurs it is of such a nature that they are able to present a very good reason for it.

Mr. SMITH. Then, to get a little more clear idea of the method of transacting the business, suppose the administrative officer receives the report of the disbursing officer, and he finds either an indefinite or an absolute discrepancy and should return it, and should not receive it back within the twenty days. Would he, within the twenty days, report that fact to you?

Mr. ANDREWS. No report from him to us except the delivery of the account is worth anything under the law. That is the account that must be delivered.

Mr. SMITH. I thought that perhaps if he showed that it was not his fault, and cleared himself of blame for not having acted upon it and transmitted it within twenty days, that he might furnish information.

Mr. ANDREWS. Ordinarily he would give us informal information, but we would decline to honor his requisition upon that statement.

The law is mandatory. It says that if the account is not there the requisition shall be declined or disapproved by the auditor. I may say here with regard to that provision of law that it is a wholesome provision. It secures the prompt delivery of these accounts as no other agency could. We simply draw the rule as a mandatory provision of law, and the officers shape their plans to it. It secures the prompt delivery of these accounts beyond any degree of success that we could have by any other plan that has ever been suggested to me.

Mr. TAWNEY. In addition to the statement of account, are disbursing officers of the Treasury Department, and, if you know, of other departments, required to render a monthly statement of balances on hand?

Mr. ANDREWS. They are required to forward that along with their account current when their account comes forward for settlement, and that statement is checked, verified, or corrected according to the statement received from the depositaries when the two are put together. I may say this: Prior to the adoption of this plan, whereby they made returns from the books monthly or quarterly—usually monthly—and the cash was forwarded to the disbursing officer for the payment of rolls in the Treasury and they were required to return the unused cash immediately to the Treasurer within five days, I think, I adopted this plan in order to make sure that they complied with the requirements of the department. I sent an inspector twice a month to each of those offices to tabulate his pay roll, the amount of his advances in cash, the amount actually paid on the roll, and the amount that he had returned to the Treasurer, as shown by his certificate. By that means we checked the cash for a period of about a year and a half or two years. When this other plan was adopted, we got at the end of the month the statement of the depositary, the statement of the officer himself, and the account current and vouchers, by means of which we had all the facts in the case.

Mr. SMITH. Where the reports are made quarterly, does the sixty days elapse at the end of the quarter as at the end of the thirty days?

Mr. ANDREWS. The quarterly reports would run to an extended period in the same manner, but with different periods of time. The officer has twenty days within which to prepare and forward his quarterly account to the administrative officer, as would the superintendent of the mint at San Francisco or any other man handling a quarterly account. He would have until the 20th day of January to prepare his December account, which would come forward to the Director of the Mint, and then the Director of the Mint would have sixty days within which to make the examination and forward it to the auditor. Suppose we take the transactions of that bullion account. A voucher paid on the 1st day of October would remain in the hands of the disbursing officer three months plus the twenty days, and the administrative officers could hold it sixty days, and then it would be forwarded to the auditor. He takes it up for settlement in turn and aims to dispose of it within the period of ninety days, so that nothing in the office is more than ninety days of age. That is a maximum period of time.

Mr. SMITH. That is nearly nine months?

Mr. ANDREWS. Nearly nine months from the date of the first payment to the date of audit when you take the maximum limit of the law. There are a few instances in which that would happen, but not

many. If, however, there is anything in any of the accounts—if any officer is found to be irregular or careless—those accounts are advanced just as speedily as possible after we receive them and given special attention. When a disbursing officer retires from the service, his accounts are advanced and made special and the force of clerks placed upon the business made as large as we can make it, so that settlement may be made as speedily as possible. As a rule we do not hold in the office the largest account more than sixty days, and it requires a long time to act upon some of these accounts that contain pretty nearly a ton of paper, before we reach a final settlement showing the exact amount due from that officer under each appropriation, and the total amount. Then we call upon the Secretary of the Treasury for the amount of funds to be covered in.

Mr. SMITH. You are speaking now of the disbursing officers. That is not true of nearly all the officers of the Government, is it?

Mr. ANDREWS. I am speaking more particularly of the disbursing officers, because that seems to be the trend of the discussion. That would not apply in the larger accounts of the Treasurer and the superintendents of mints in handling bullion accounts. Take, for instance, the account of the superintendent of the mint at Philadelphia. His bullion account comes in rather late, and each month he forwards to the Director of the Mint his vouchers for disbursement under annual appropriations for the running expenses of the mint, so that the Director of the Mint gets each month the vouchers for the expenditures of the preceding month. Now, he would have in his possession at the end of the quarter all of these vouchers examined and ready to go forward. But funds used in the bullion account are not advanced upon requisition. They are secured under special provisions of law by transfer of funds by the Treasurer to the superintendent of the mint. But when they cease the use of those funds, they are returned by a transfer order, and we get the statement of that account from the Director of the Mint, where he is required to act in the case.

Mr. TAWNEY. During your twelve years' experience in the Treasury Department how many cases have you had where, after final settlement was made with the bonded officer of the department, errors in the accounts were detected or where loss had been sustained, if any, by reason of the act of the bonded officer?

Mr. ANDREWS. The final settlement is shown, I think, in the tabulation I furnished Mr. Brown—I can not recall the exact number—but possibly I would better draw this distinction. Sometimes we find irregularities in the accounts of an officer who is still in the service. Whenever those irregularities become material to the integrity of the account and the safety of the public business, those facts are reported to the Secretary of the Treasury for such administrative consideration and action as he may deem proper. In one or two instances I have gone to the limit of positively refusing any further advances of funds until the accounts were put into proper shape and the officer had made satisfactory explanation to the department with reference to any advance of funds. That occurs but very seldom—there have been but two or three instances. When the officer retires from business, as I stated before, his accounts are settled promptly. We have had comparatively few instances in which recoveries have been called for under bond. The most notable was Mr. Bartlett's case and the case pending against Mr. Worcester.

Mr. TAWNEY. Who was Mr. Bartlett?

Mr. ANDREW. Mr. Bartlett was disbursing agent or clerk of the Treasury Department. He retired from the service in 1906, and died in that year. I notice on page 6 of the hearing a very important statement, which perhaps ought to be corrected in some particulars, and where a mere statement of the facts, I think, will assist in clearing up one point stated by Mr. Whelan. He makes the suggestion there that the Government is pursuing a rather peculiar course in order to recover under a bond that was not in existence when the liability occurred. You will find in the report of delinquent officers submitted to Congress by the Secretary, and printed in House Document No. 414, second session of the Fifty-ninth Congress, an official statement upon this point. The audit, No. 58402, of March 3, 1906, was a restatement of account after certain settlements had been reopened and fraudulent vouchers recharged against the officer to the amount of \$14,104.25. Those are known as the Boyd defalcations or thefts, the bond then in existence being that of the Fidelity and Deposit Company of Maryland, approved January 2, 1900. This audit, you see, was made on March 3, 1906. It was recharged under this bond of 1900, a bond of \$20,000. No other amount has ever been claimed under that bond or any settlement made by the auditor.

Now, that was the bond of \$20,000, the first bond given by this company. Another item of loss, however, appeared in Mr. Bartlett's account which was wholly separate and distinct from this \$14,104.25. The second shortage appeared under settlement No. 6589 of June 13, 1906, and the balance was \$19,899.46. A small amount of that was paid out by Mr. Bartlett under orders of the department under a wrong appropriation, but before the account came to the auditor for settlement. The payment had been made and we disallowed those small items against the disbursing officer, because the appropriation was not properly designated and the appropriation from which they should have been paid had been exhausted. After deducting those small items, there was left against the bonding company a net balance of \$19,684.84. That audit was directed from three different points in order to verify its accuracy, and the total from each line was kept in reserve until all three were settled. First, a committee representing the comptroller and myself and one other, the chief clerk of the former disbursing clerk, Mr. Bartlett. I gave orders that the accounting clerks examining those vouchers should not confer with one another, but should report their findings under the separate appropriations to the chief of the division, and he should make tabulations and return them to me. Through those channels we gathered these totals, and our settlement was made.

The accountant of the bonding company came to the department and I spent a good portion of my time with him for at least two weeks, and he was there for a period of nearly two months, going through these records and reviewing the matter from beginning to end. I gave him every facility under the authorization of the Secretary and the suggestion of the Comptroller, and I required their authorization in order to open the records to him. Every possible opportunity to ascertain the facts was given. I gave him one of my clerks to go along with his man, and I said, "If you will point out the place where this money disappeared, I want to know. We have not settled our minds upon that point." My impression

was then, and is now, that it gradually disappeared from the cash holdings. After he had spent, off and on, a period of nearly two months upon it, and we had given him every possible assistance, he came into my room one afternoon and I said to him, "Have you found any error in our settlement?" He said, "No; I have not." I said to him, "Have you found the avenue through which this money disappeared?" He said, "No; I have not." "But," he said, "there is one thing certain. There is something rotten in this department." He expressed himself freely in that manner, which of course was not very welcome after the courtesies we had extended to him. I told him that we might as well stop that kind of talk and settle down to business. I said to him, "You would better pay that money or quit business." He talked very emphatically for a while. The matter went to the Comptroller upon our report, and the Comptroller called upon the company to turn in the money. A check was turned in on the 6th of October—a certificate of deposit—No. 5194, for \$19,684.84. Our settlement held that amount due under the bond of 1904. We counted the disbursing officer's cash on the 1st of January, 1904, when the new bond went into effect. We settled his accounts regularly, and declared the balance under the bond of \$50,000. The balance of \$14,104.25 was declared under the bond of January 2, 1900, so that under each of these bonds we had located in our settlement the amount we thought each bond should answer for. They tendered this deposit under the bond of January 2, 1900, and thereby hangs a very interesting and clever transaction. They manifestly saw that the acceptance of \$19,684.84 under the \$20,000 bond would almost exhaust the penalty of that bond and leave only about \$300 under which to recover any portion of the \$14,104.25. I think the Comptroller could take the part beyond that more intelligently than I, and more satisfactorily, because it involves some legal questions, and I will not presume to discuss those matters. But our experience is this with both individuals and surety companies: When we recover a loss we recover it by compulsion.

Mr. SMITH. Are you trying to recover \$114,000 now?

Mr. ANDREWS. That is a mistake. That is either a typographical error, or came from a man who has not learned systematic accounting. He surely meant \$14,000.

Mr. KEIFER. Did you accept that \$19,000 as tendered on the first bond?

Mr. ANDREWS. That is a point that the comptroller can explain more fully. He declined to accept it as tendered.

Mr. KEIFER. But you need not go into that unless you want to.

Mr. ANDREWS. I can state this, and it is quite an important item to show. It was declined as tendered under that bond. Later on the portion belonging to the Revenue-Cutter Service was by some arrangement covered into the Treasury, so that \$14,884.16 remained undeposited; that is, it is in the possession of the department, but not covered, and hence stands, in our transcript, which is now before the courts, so that our transcript would show a total of \$29,092.42, less \$362.42, which is covered by appropriations made lately by Congress. So that the transcript would have to its credit \$14,884.62 to be entered as covering a portion of this liability of the company, which in total, under both bonds as called for by the department, was \$33,000 and something.

Mr. LIVINGSTON. I understood you to say a moment ago th t it was \$29,000 and something.

Mr. ANDREWS. That is the amount of balance standing in our transcript now in court, but a deduction from that will need to be made for the \$14,884.62 in the possession of the department, the deposit already made by the company. That leaves an actual net balance of claim against the company of \$14,104.25. That is the amount of the shortage on the Boyd voucher. The other has been provided for.

Mr. KEIFER. That is the claim under the 1900 bond?

Mr. ANDREWS. No. We claim that \$19,684.84 under the bond of 1904.

Mr. TAWNEY. And these claims are based upon an audit of the account of the officer whose bond the department held.

Mr. ANDREWS. Yes, sir.

Mr. TAWNEY. And that was made by your committee that examined these accounts, and as a result of their investigations they found that these amounts were due on the two different bonds?

Mr. ANDREWS. The committee report does not constitute the basis. The audit itself is the basis. The committee's examination was a verification of the correctness of the returns made in the accounts current from the disbursing office, and by the audit of the examining clerks, and the reports from these three sources, together with the report of the company itself, verified the balance.

Mr. TAWNEY. Then the statement of Mr. Whelan, made a day or two ago, that: "The Government of the United States is trying to make us pay that \$50,000 bond on account of the forgeries that occurred in 1901, 1902, and 1903, one or two or three years before the additional bond was given," is incorrect?

Mr. ANDREWS. The audit declaring the balance of \$14,104.25 was made under the bond of January 2, 1900, the \$20,000 bond. The balance in the audit, \$19,684.84, was declared under the bond of 1904, the \$50,000 penalty.

Mr. TAWNEY. Because the defalcations occurred during the life of that bond?

Mr. ANDREWS. Yes, as shown by our audit, and they were not able to show anything to the contrary.

Mr. LIVINGSTON. What is the pith of the question between you and the company now in the courts? Just give it to us in a sentence.

Mr. ANDREWS. We asked them to deposit the \$19,684.84 under the bond of 1904. They tendered it under the bond of January 2, 1900. The acceptance of that tender would have practically canceled the \$20,000 penalty, and if anything had been recovered on the Boyd vouchers from the company it would have been something interesting to get the amount out of it.

Mr. SMITH. Then the statement that you are trying to recover, as to the Boyd matter, under the \$50,000 bond, is untrue?

Mr. ANDREWS. The statement that we are trying to recover any part of the Boyd theft under the \$50,000 bond is incorrect, and there is only this idea upon which he could possibly work his imagination up to such a conclusion. These separate audits declared separate balances under the separate bonds, as I have stated. Later on we prepared a consolidated statement upon which the transcript was based. Both bonds were thrown together in the

account, the total penalties being \$70,000 and the net amount to be recovered being only \$14,104.25.

Mr. SMITH. Then, briefly, he gave a \$20,000 bond in 1900 and a \$50,000 in 1904. You made an audit and found fourteen thousand and odd dollars due under the \$20,000 bond and nineteen thousand and odd dollars due under the \$50,000 bond. They made payment of the amount that you had found due under the \$20,000 bond, and then when you attempted to collect the \$14,000 bond, which is all you had ever audited against the \$20,000 bond, they seek to pay the bond in full?

Mr. ANDREWS. That is substantially the whole story.

Mr. SMITH. It is contended strenuously here by the companies that they constitute very much better security for the Government than any other form of sureties, and they suggested that private sureties sometimes make a practice of putting their property out of their hands after a liability is discovered for the purpose of cheating and defrauding the Government. Has the Government, in fact, sustained substantial losses from that method, so far as you know?

Mr. ANDREWS. We have never yet, since I have been in the department, had any more difficulty in the recovery of losses from private sureties than we have had from surety companies.

Mr. LIVINGSTON. And less litigation.

Mr. ANDREWS. As a rule perhaps that is true. The companies, I take it, would pay in more promptly, or stay further away from litigation, because they have trained attorneys who might see the fruitlessness of litigation.

Mr. SMITH. And also attorneys who might be more quick to discover the technical defenses of the Government?

Mr. ANDREWS. Yes; and to my mind that is a clear illustration of clever tactics to evade a liability.

Mr. KEIFER. But Mr. Smith's questions relate to the disposition of private parties to be held responsible on bonds given by them?

Mr. ANDREWS. I could not speak from any example that has come before us within the range of my connection with the department. I am very glad to say that we have had comparatively few cases. The total volume of business in the department in the aggregate, that is the accounts—of course not all cash—have amounted to more than \$61,000,000,000 in the period of twelve years. This case, together with the Worcester case, which means \$45,000 in the Boyd transaction, will cover all but a few minor items that have arisen within that period of time. And the fact that we have kept close with prompt settlement, and insisted upon regularity of accounts, I think constitutes one of the strongest bonds that the Government can have. The practice of the department, through administrative and accounting channels in the Treasury, has been such as to very materially reduce the measure of risk in every direction.

Mr. TAWNEY. The Boyd transaction occurred when?

Mr. ANDREWS. It began when he was detailed from the office of the Surgeon-General of the Marine-Hospital Service to assist Mr. Bartlett in the routine work of writing checks and sending out mail prior to 1903. On the 1st of July, 1903, Mr. Worcester, who was then, and is now, I understand, the chief clerk of the Bureau of the Marine-Hospital Service, was made a disbursing officer for the Marine-Hospital Service. On that date Mr. Bartlett ceased to pay bills for that service. Mr. Boyd was a clerk in the Marine-Hospital Service Bureau.

He continued his operation along the same line in handling duplicate vouchers, slipping them into the mail and having the Surgeon-General approve them, and letting them go forward to an indefinite period of time. So that all of this shortage through the Boyd vouchers subsequent to July 1, 1903, occurred in Mr. Worcester's accounts, and his shortage is about \$45,000.

Mr. TAWNEY. How long after the transaction was it before the character of it was discovered?

Mr. ANDREWS. Some considerable period of time. I do not remember the date of the first voucher that he slipped through while he was assisting Mr. Bartlett. That was under this first bond, as I have told you. I could give you the detail record of that, check by check, and voucher by voucher, if I had the memorandum with me. Then he continued on until 1906 under Mr. Worcester, and in that period of time he had drawn out about \$59,000.

Mr. TAWNEY. What rules or regulations have since been adopted, if any, to prevent the recurrence of a fraudulent transaction of this kind?

Mr. ANDREWS. Prior to that time the offices had been receiving the bills in duplicate. These bills originated chiefly, if not entirely, at Fort Stanton, N. Mex. A man had a contract for coal or for furnishing meats, both very large demands upon the appropriation. The man who would prepare his bill would prepare it in duplicate and sign both. The supervising officer, or assistant surgeon in charge at the hospital at Fort Stanton, would sign his certificate that the articles had been delivered by this contractor according to the terms of the contract and approve the bill. Those papers would both come forward to the surgeon-general here. He would slip the original in, get the check, send it to the contractor. That settled him. Later on he would slip in the duplicate, and all he had to do was to get the signature of the surgeon-general and that made the voucher regular with the others and that came forward. That is the manner in which he carried on these operations. When that was discovered, the use of the duplicate voucher was discontinued; so that to-day by the discontinuance of the papers that he was able to use with less inconvenience, he would have to forge all of those signatures, to practically make it up in full; so that, by that means, I think we have entirely eliminated any possibility of a recurrence of a loss through that particular means.

Mr. TAWNEY. Does that regulation or rule apply now to other departments?

Mr. ANDREWS. Throughout the departments, generally, I understand. The Comptroller can answer as to that.

Mr. TRACEWELL. It is the general policy applying to all.

Mr. ANDREWS. In other words, that scheme was entirely eliminated from the accounting system.

STATEMENT OF MR. ROBERT J. TRACEWELL, COMPTROLLER OF THE TREASURY.

Mr. TAWNEY. Mr. Tracewell, you are Comptroller of the Treasury?

Mr. TRACEWELL. Yes, sir.

Mr. TAWNEY. In the discharge of your duties you have become necessarily familiar with the accounting of all of the accounting officers of the various departments of the Government?

Mr. TRACEWELL. Reasonably so, I think, with all of them. They all come under my jurisdiction.

Mr. TAWNEY. Can you give us the system of accounting in the various departments that is in force now?

Mr. TRACEWELL. I think I can.

Mr. TAWNEY. And also state the extent to which that system operates to prevent the possibility of a loss passing the accounting officers for any length of time without detection, thereby increasing the contingent liability of the sureties on the bonds of officers?

Mr. TRACEWELL. Outside of the forgery of vouchers—and the clerks and auditors are only human—but if they will do their duty a false claim for credit by an officer will soon be discovered.

Mr. TAWNEY. That is true of all the departments?

Mr. TRACEWELL. Yes. If some man or woman has the ability to forge the voucher from start to finish so it may never be discovered, there is no possibility of detecting it unless some outside transaction comes up to call up the fact. Take the Boyd matter. He was enabled to do that more readily, because, as the auditor told you, the voucher originated at Fort Stanton and a duplicate was used—

Mr. TAWNEY. And that system has been abolished?

Mr. TRACEWELL. Yes. And there were a good many good things in that system, so that it was with a good deal of regret that we eliminated it. It would not have been done if a few scoundrels had not taken advantage of the duplicating of vouchers. To make an illustration, this man Boyd was a clerk in the disbursing office. The disbursing officer gave him too much liberty; that was the difficulty about it. Worcester shut his eyes. There was an original voucher for \$3,000. Boyd would wait a while, then take the duplicate voucher and raise it to a larger amount, put it in the name of the original party, and then pass it in the bank. We have now a suit against a bank to recover this money. He forged the indorsements of the original parties. If it was \$3,000, they would raise it to some six or seven thousand dollars. The system is simplicity itself. Every dollar of money that goes into a disbursing officer's hands—and it is only disbursing officers that give bond with a few exceptions—every dollar that goes into their hands, and it does not go into their hands in the shape of money, it goes into the subtreasury to their credit and is checked on. They get credit for every voucher that passes the auditor; that is their credit side, showing that they paid it out. Then their other credit is the amount of money that they draw and pay cash, such as salaries. And they can only draw money, if they obey the law, and pay such things as salaries. That would be the next credit. And the third credit would be the amount that they had left in the subtreasury that they had not drawn on. That system is simplicity itself, and I do not see how it can be improved upon.

You made the statement a little while ago that the surety companies complained that there was no statute of limitations. There is one. It is either five or six years, the statute commencing to run after the account is stated.

Mr. SMITH. After the liability is discovered?

Mr. TRACEWELL. After the statement of the account.

Mr. SMITH. That does not prevent you from restating the account?

Mr. TRACEWELL. My impression would be that if an auditor should state an account and show a liability or a nonliability and the Govern-

ment waited for six years before they brought the action, after that they could not recover against the sureties.

Mr. SMITH. I beg your pardon, but it seems to me upon the phraseology of this statute that I would not agree with you.

Mr. TRACEWELL. It is common for lawyers to disagree.

Mr. TAWNEY. I understood Mr. Bartlett made the statement that the Supreme Court has recently held that their liability dates from the date of the restated account showing the loss?

Mr. TRACEWELL. I have not looked into that. These accounts, made from time to time, are simply partial settlements.

Mr. SMITH. Suppose an account is formally settled on forged vouchers and the law says that the bond shall run for five years?

Mr. TRACEWELL. I do not think there is anything in the statute as to five years from the discovery of the defalcation. If there was I would agree with you, but my impression is that that is not the law.

Mr. KEIFER. I think that is the effect of the law, though.

Mr. TRACEWELL. I doubt whether that is the effect of the law. A disbursing officer goes out of office and an auditor finally settles his accounts and the statute of limitations commences to run when that account is settled.

Mr. KEIFER. On that settled account?

Mr. SMITH. It depends on what he means.

Mr. TRACEWELL. I do not say that an account can not be surcharged.

Mr. SMITH. When do you say the statute runs on the surcharged items?

Mr. TRACEWELL. I suppose in six years after the surcharging.

Mr. SMITH. The statute is five years, is it not?

Mr. TRACEWELL. I said it was either five or six years, as I remembered it.

Mr. TAWNEY. Mr. Tracewell, you are familiar with practically all the losses that have occurred during your service as Comptroller of the Treasury?

Mr. TRACEWELL. They have all been reported to me; they have to be under the law, and under my direction suit is brought, if a suit is required. Quite a number of these matters are adjusted without suit. I suppose in my time the majority of cases have been adjusted without suit.

Mr. KEIFER. Is not the great majority adjusted without suit.

Mr. TRACEWELL. I am inclined to think so, sir. The great majority are adjusted without suit. I do not think that we have brought suit in more than seven or eight instances.

Mr. TAWNEY. With your knowledge of the present system of accounting and your acquaintance with the practice under which the losses have heretofore occurred, what is your judgment regarding the contingent liability of a surety on a bond, assuming now that the statute of limitations does not begin to run until the date of the discovery of the loss?

Mr. TRACEWELL. I think it much less than in any other business they write, because they have the close scrutiny of the government officers, and they have it every day in the year.

Mr. TAWNEY. The system of monthly settlements referred to by Mr. Andrews is one of the greatest safeguards the Government has, is it not?

Mr. TRACEWELL. It is one of the safeguards on defalcations. They nearly always have a forged or concealed deficit in the cash account, and we try to take care of the cash account. It is nearly always a bold felony.

Mr. TAWNEY. Does the system of monthly settlements apply to the other departments the same as to your department?

Mr. TRACEWELL. Yes, sir. The law is that it shall be done quarterly. There are some few instances where the Secretary of the Treasury provides differently, but most of them are settled monthly.

Mr. KEIFER. You have the power to order a settlement at any time you please?

Mr. TRACEWELL. Well, I have not just that power; the law orders the settlement. I have the power and authority and I exercise it frequently, and I always exercise it if I am the least suspicious. I take a man from the auditor's and a man from my own office and we do it like a bank examiner—lock the safe and take charge of all the books and audit the accounts.

Mr. KEIFER. You have the power?

Mr. TRACEWELL. Yes, sir, and I exercise it; I am exercising it constantly.

Mr. TAWNEY. Is there any record of a claim arising two or three years after an officer's accounts were closed?

Mr. TRACEWELL. I do not remember that there has been any such delinquency as that.

Mr. TAWNEY. Is there any record in your office of any claim arising one, two, or three years after the final settlement has been made?

Mr. TRACEWELL. I do not understand what you mean.

Mr. TAWNEY. Here is an officer who has been out of the service one, two, or three years; do you know of any claim arising after his separation from the service for that length of time? Do not nearly all these cases arise during the term of service or at the time of final settlement?

Mr. TRACEWELL. They have to arise then.

Mr. TAWNEY. What is generally the date of discovery?

Mr. TRACEWELL. They are usually discovered when the auditor makes the final settlement, when the man goes out of office or is required to turn in his money; when he gives a new bond.

Mr. KEIFER. Is it not discovered sometimes after that?

Mr. TRACEWELL. I do not recall any instance that has been much later than that.

Mr. BURLESON. Could not a claim arise by reason of a change of the construction of the law by some officer?

Mr. TRACEWELL. It would not arise.

Mr. BURLESON. But it may not have been known until after the man had gone out of office?

Mr. TRACEWELL. If the auditor and comptroller had passed it they would leave it alone; he would not be charged with it.

Mr. TAWNEY. That claim was made the other day.

Mr. TRACEWELL. That is not true. Every real defalcation that I have knowledge of has been the result of a bold felony.

Mr. TAWNEY. Risks of this kind in the government service you regard as better than like risks elsewhere?

Mr. TRACEWELL. Yes, sir; because the other people do not have the constant supervision. That is absolutely so. Take a county

officer, or even an officer in a bank, they do not have the scrutiny that the government officers' accounts get. I have been a director of a bank and I know that the officers in banks do not give the same scrutiny that government officers do, because men are not paid for their whole time and the auditor's force does not do anything else than go over the books and vouchers. There is generally not any defalcation except where a man commits a bold felony. In other words, a man draws \$20,000 and gets drunk and steals \$10,000. Any man can steal money if he takes the risk, but he will be discovered very promptly.

Mr. TAWNEY. As I understand you, there is no liability on the part of the surety company for what may have been a proper payment at the time but subsequently, by change of construction of law, proved to be an erroneous payment?

Mr. TRACEWELL. No, sir.

Mr. ANDREWS. The method of procedure would throw some light on that question. When an officer retires from the service the auditor makes the final settlement of his account and the account is shown to be closed and everything balanced. Within the period of a year the Comptroller might take up the account and revise it on his own motion; no administrative officer could touch it. After a year has expired the auditor might on newly discovered evidence reopen the settlement, but when reopened and restated, he must report his action to the Comptroller of the Treasury. He is the one man through whom every transaction must go. Whenever there is a change in the construction of the law it must go to the Comptroller, who is the one agent for every department of the Government.

Mr. SMITH. In order to make that entirely plain, you have referred to the practice of closing up the accounts of an officer?

Mr. TRACEWELL. Yes, sir; at the end of his service.

Mr. SMITH. Suppose a man should continue in the service for ten years?

Mr. TRACEWELL. They close up the accounts every time a new bond is given.

Mr. SMITH. How often is that, once in four years?

Mr. TRACEWELL. Yes, sir; unless the Secretary requires an additional bond.

Mr. SMITH. Suppose in his first year he was credited with a disbursement that was not properly payable out of the appropriation, and suppose that should be discovered at any time within the four-year period of his bond; would his account then be charged with that item?

Mr. TRACEWELL. If it was simply paid out of the wrong appropriation, the department would disallow it in one appropriation and credit it in another.

Mr. SMITH. Say it was paid out of the wrong appropriation, and the other appropriation had been exhausted?

Mr. TRACEWELL. They would not reopen it.

Mr. SMITH. Suppose it is paid under a misconstruction of the law and subsequently the Comptroller makes a ruling that the expenditure was not entitled to be allowed by reason of not being authorized by law?

Mr. TRACEWELL. That is an illegal expenditure?

Mr. SMITH. Illegal in that sense; he disbursed the money for the Government's benefit.

Mr. TRACEWELL. It would be disallowed until Congress granted relief.

Mr. SMITH. For the time being it would be charged to him until Congress granted relief?

Mr. TRACEWELL. Yes, sir. That is not unusual.

Mr. SMITH. There are two subjects that I want to take up with you. How soon are the accounts settled, as a matter of fact, in the Post-Office Department? Take the postmasters' accounts of money orders.

Mr. TRACEWELL. I have not anything to do with that and do not know. They have a special system. Those people are not under the direction of the Comptroller—that is, the postal system. They have another modus and it is done through their attorney-general.

Mr. SMITH. And therefore the information that you and Mr. Andrews have given us does not pertain to the Post-Office Department?

Mr. TRACEWELL. The postal service; not the department. They have an auditor and he is under the department and Comptroller—that is, the Post-Office Department proper. The postal service is a field service and is entirely different; they make their payments differently and report differently.

Mr. SMITH. We can not get any information on that subject from you?

Mr. TRACEWELL. No, sir.

Mr. SMITH. They have, do they not, at the headquarters of a military department a departmental quartermaster?

Mr. TRACEWELL. Yes, sir.

Mr. SMITH. Now, he is enabled to obtain money for disbursement?

Mr. TRACEWELL. He is if he is a disbursing officer.

Mr. SMITH. And there are inferior disbursing officers under him?

Mr. TRACEWELL. I think not; he may have agents. That is one of the troubles. The disbursing officers have not any deputies, and that is why they asked Congress for relief at the last session. They may have agents who operate for them, but they are operating in the disbursing officer's name. Nobody can draw the money except the disbursing officer. Certain officers can operate without giving bond; they do not need to give any bond.

Mr. SMITH. Do the disbursing officers at posts give bond?

Mr. TRACEWELL. I do not remember the details. There is a certain class of officers who do not give bond and some do.

Mr. SMITH. It has been stated to me—I do not know how true it is—that a system has grown up by which the disbursing officers at the posts refuse to give bonds?

Mr. TRACEWELL. If the law requires them to give a bond, they would not get a cent advanced without furnishing it.

Mr. SMITH. It is now claimed that the departmental disbursing officer draws the money and that then practically the money is disbursed upon vouchers of the post's officers and the result is, as a matter of fact, that the Government has no vouchers of any practical value for any money expended at the post.

Mr. TRACEWELL. I should think that that was not true.

Mr. SMITH. What do you say as to the disbursing officers of the military department furnishing no vouchers except from post officers for a great portion of the money expended by them; is that true?

Mr. TRACEWELL. I am not familiar with the details offhand. The Auditor for the War Department could give you the detailed information. I would naturally suppose that it was not true.

Mr. SMITH. I am not advised except by one man, and I want to know whether it is a fact that a large amount of this money is expended without any vouchers?

Mr. TRACEWELL. I do not think it is true; it could not possibly be true under the system in force as regards vouchers for expenditures.

Mr. KEIFER. Are not the disbursements in the military department made through quartermasters more generally than anywhere else, commissaries and other officers, who have the accountability fixed otherwise?

Mr. TRACEWELL. There are certain classes of army officers who can act as disbursing officers and are not required to give bond and there are certain others who are required to give bond.

Mr. KEIFER. The quartermaster for the military division on the Pacific coast disburses the money through officers under him, and he makes accountability back through the War Department to the Auditor of the Treasury for the War Department. Is not that true?

Mr. TRACEWELL. No, sir; I do not think it is as broad as you have stated it.

Mr. KEIFER. For instance, the quartermaster in charge at Manila, P. I., he often has a very large amount of money to disburse and he must disburse it through officers under him?

Mr. TRACEWELL. No disbursing officer disburses all the money himself. The disbursements in the army are made practically like in any other branch of the service, but certain officers who can act as disbursing officers are not required to give bond; the law specifically exempts them.

Mr. LIVINGSTON. Why?

Mr. TRACEWELL. I do not know why Congress exempts them; I know that is the law.

Mr. LIVINGSTON. Is there any way to check them up?

Mr. TRACEWELL. They are checked up like anybody else.

Mr. TAWNEY. Mr. Tracewell, the claim has been made here by the bonding company officers that by reason of their surveillance over bonded officers of the Government they are able and have in the past detected embezzlement and defalcation where the officers of the Government have not made the discovery. Do you know of any such case?

Mr. TRACEWELL. I do not.

Mr. TAWNEY. Do you know whether they have any system of keeping track of the bonded officers of the Government for the purpose of determining whether they are doing the business properly?

Mr. TRACEWELL. I do not know. I do not see how they could unless the auditor furnished the information.

Mr. ANDREWS. They call upon me very frequently for information and I refer them to Mr. Bond, who has the information on the subject and the Secretary tells him what he can give out. We send to each disbursing officer a notice of his account and that is sometimes turned over to the bonding companies. Sometimes the Secretary sends to them an account of the settlement, which is given out only on permission of the Secretary. A good many times we give them that information. They come to me as to the condition of the accounts of officers whose bonds they have written. They have never yet

offered me a single bit of information concerning any officer who was out of line, and the only question was the payment of the premium.

Mr. SMITH. Has any bonding company furnished valuable aid to the Government in securing the arrest of any defaulting public officer?

Mr. TRACEWELL. I can not answer that question.

Mr. TAWNEY. Can you answer that question, Mr. Andrews?

Mr. ANDREWS. Not within my knowledge.

Mr. TAWNEY. Mr. Bartlett, when here a few days ago, made the statement, to illustrate their contingent liabilities, that "for ten years we have been bonding Indian agents. Ten years ago the rates charged to Indian agents were at least twice as high as they were during the year 1908, and what I say as to those bonds is true also of all government official salaries and nonofficial bonds. The rates have been constantly decreasing for a period of two years, until they reached a low ebb in the fall of 1908. Our company received about \$1,800 a year for ten years for bonding Indian agents, and during that ten years it paid out losses of less than \$500. Naturally to a layman that would look like a profitable business. The books showed that it was a profitable business, but within the last thirty days a claim was collected by the United States Government from our company on an Indian agent's bond written six years ago, expired three years ago, charged off of our books as no longer in existence, and yet the Government collected \$14,000 on it." I have had an examination of the auditor's books made and find that there has been no payment of that amount on account of the bond of any Indian agent.

Mr. TRACEWELL. I do not remember any such amount.

Mr. TAWNEY. You have no knowledge of a case of that kind?

Mr. TRACEWELL. No, sir. I will make a statement. Very frequently it happens, in nearly one-half the cases where either one of the auditors reports a liability against a bond, the bonding company comes in and asks us to defer suit until they can get an opportunity to come before Congress. Sometimes when the cases appeal to me, and they sometimes do, and the appeal is upon some good equitable ground, I frequently hold the case back. We have the power. I think I am holding some three or four cases back now until they can see whether they can get congressional relief. It does not hurt the Government any.

Mr. SMITH. Who makes the request—the sureties?

Mr. TRACEWELL. The sureties usually.

Mr. SMITH. What sureties are most prone to ask?

Mr. TRACEWELL. Within the last eight or ten years there has been very little individual surety given to the Government.

Mr. SMITH. Has there not been an increase in the calls upon the Government since the surety companies have been writing the bonds?

Mr. TRACEWELL. I can not answer that question. The public surety is much the better class of security.

Mr. BURLISON. You mean the surety companies?

Mr. TRACEWELL. Absolutely. There is no question about that. It is better than private surety. That is hardly debatable in my mind.

Mr. SMITH. It is not only debatable in my mind, but I do not think it is so.

Mr. TRACEWELL. You are badly mistaken.

Mr. SMITH. I think not.

Mr. TRACEWELL. If I had the power to make the law I would not take a private surety. I mean an individual as surety on a bond.

Mr. BURLESON. What about the Government assuming its own risks?

Mr. TRACEWELL. I do not believe that the Government should go into any business that would interfere with private individual activity. That is an individual opinion and has nothing to do with accounting.

Mr. TAWNEY. At this point I want to insert, in view of your statement regarding the request of sureties to withhold the institution of suit until they can ask Congress for relief, a statement of acts passed between June, 1880, and March, 1905, both inclusive, giving relief on surety bonds of certain Treasury officials alone.

Mr. TRACEWELL. There have been quite a number. I do not remember the number.

Mr. TAWNEY. I have here a statement from the Treasurer of the United States on that point.

(The statement referred to by Mr. Tawney follows:)

TREASURY DEPARTMENT,
OFFICE OF TREASURER OF THE UNITED STATES,
Washington, June 25, 1909.

HON. JAMES A. TAWNEY,
*Chairman Committee on Appropriations,
House of Representatives, Washington, D. C.*

SIR: You will please find inclosed (as per request of Mr. Brown) a list of the acts passed by Congress for the relief of various officers for losses which occurred in their offices through no fault or neglect of said officers.

It is believed that the list embraces all relief acts passed during the last twenty-five years affecting the general account of public moneys.

Respectfully,

CHAS. H. TREAT,
Treasurer of the United States.

A list of the acts passed by Congress for the relief of various officers for losses which occurred in their offices through no fault or neglect of said officers.

Name.	Date of the act.	United States Statutes at Large—		Amount.
		Volume.	Page.	
George Eyster, late assistant treasurer, Philadelphia, Pa.	June 9, 1880	21	553	\$882.50
F. E. Spinner, late Treasurer United States.	Aug. 5, 1882	22	260	47,097.65
Treasurer of the United States.	do	22	261	650.61
Do.	Aug. 7, 1882	22	313	257.00
Assistant treasurer United States, New York.	Mar. 2, 1889	25	911	24,016.43
George W. Bishop, assistant treasurer, Baltimore, Md.	do	25	912	1,243.00
C. N. Felton, late assistant treasurer, San Francisco, Cal.	Jan. 8, 1891	26	1,333	9,930.00
S. H. Brooks, assistant treasurer United States, San Francisco, Cal.	Mar. 3, 1891	26	867	10,000.00
N. H. Camp, late assayer, Boise, Idaho.	July 28, 1882	27	285	11,611.03
Ellis H. Roberts, late assistant treasurer, New York.	Jan. 26, 1897	29	778	800.00
D. N. Morgan, Treasurer United States.	July 19, 1897	30	108	200.00
D. N. Morgan, late Treasurer United States.	July 7, 1898	30	658	856.00
O. C. Bosbyshell, late superintendent mint, Philadelphia, Pa.	Feb. 2, 1899	30	1,510	12,810.82
C. N. Jordan, assistant treasurer United States, New York.	June 6, 1900	31	283	2,644.75
F. A. Leach, superintendent mint United States, San Francisco Cal.	Mar. 3, 1905	33	1,219	25,000.00

Mr. TRACEWELL. It is not infrequent. We notify them through my office that we will bring suit and in quite a number of instances they immediately appear and ask that suit be deferred until they can

get congressional action. I think I have two or three cases pending now.

Mr. KEIFER. That is not where there has been a felony committed by a disbursing officer?

Mr. TRACEWELL. No, sir. If I did not think that there were equitable grounds I would not withhold suit. A disbursing officer is an absolute insurer of the money in his hands. They frequently lose it, somebody steals it, or it gets burned up. The accounting system is simplicity itself. They are charged with so much money and they have to have certain credits. We have had several cases in the office where the money has been absolutely stolen from the disbursing officer.

Mr. KEIFER. In those cases you collect on the bond the same as in any other case?

Mr. TRACEWELL. Yes, sir. If they come to me to defer action, I sometimes wait, because if we dismiss the case it is at their cost.

Mr. TAWNEY. Mr. Tracewell, what was the practice before the adoption of this new system in the matter of final settlement in order to give the principal and the surety a clearance on their bond?

Mr. TRACEWELL. I can only say in a general way that the auditors are doing better work, closer work, than ever before, and for the last six or seven years the rules and regulations have been tightened up. Some of the auditors are doing closer work than others. I think the Auditor for the War Department is behind probably six months and the Auditor for the Navy Department probably one year.

Mr. TAWNEY. In final settlements?

Mr. TRACEWELL. Yes, sir. I am only approximating the matter. They can tell you. I know that the auditors for the Post-Office, Treasury, and Interior departments are up.

Mr. TAWNEY. Is it not a fact that one reason for the effort on the part of the auditors to make these final settlements as soon as possible after an officer ceases to serve in the capacity of disbursing officer is to give the principal and surety a complete clearance on the bond?

Mr. TRACEWELL. I do not know what enters into the minds of the auditors. I suppose every auditor with the force he has tries to keep the work up as best he can.

Mr. TAWNEY. I am talking only of the final settlements of accounts, where the officer has ceased to serve.

Mr. TRACEWELL. The Auditor for the Treasury says that they make those matters special, and if they do not make a report to me within a reasonable time I jog them up and want to know why they do not send in the report. They report all balances to the Comptroller in order that the Comptroller may bring suit, except as I have indicated in the Post-Office Department. They are making prompter settlements now all along the line than ever before.

Mr. BURLESON. Which of course lessens the risk to the surety companies?

Mr. TRACEWELL. I am not so sure of that. The risk is already incurred. They find out sooner, that is all.

Mr. BURLESON. That is true.

Mr. TRACEWELL. They simply get the knowledge a little sooner. I think there is too much importance attached to that.

Mr. TAWNEY. Are you familiar with the system of accounting that was in force prior to the enactment of the Dockery law?

Mr. TRACEWELL. Yes, sir.

Mr. TAWNEY. Was there anything in the law that compelled accounting officers to make final settlement within a given time?

Mr. TRACEWELL. That is my impression. The new system was put in force in 1894, and I came in in 1897. Prior to the enactment of the Dockery law accounts ran along fifteen and twenty years; there was no final settlement, and they just ran back and forth between the auditor and Comptroller.

Mr. TAWNEY. The contingent liability of a surety was extended far beyond the period to which it can be extended under the present system?

Mr. TRACEWELL. It is less now than ever before in the history of the Government. In other words, if there is anything wrong they find it out much sooner now.

Mr. BURLESON. Which makes it easier to bring about an adjustment?

Mr. TRACEWELL. Yes, sir.

Mr. TAWNEY. I want to refer again to the question discussed a moment ago, that is—the liability of the surety not being dependent entirely upon the honesty and integrity of the principal of the bond. When before us a few days ago, Mr. Bartlett stated: "We have found that the most serious risks that we assume in connection with the Government are not due to dishonesty, but to some failure to apply an excessively technical provision or ruling, whether a statute or a ruling of the department. And those questions come up years and years after."

Mr. TRACEWELL. That is absolutely not true. I do not think that a surety company or any other surety has paid a dollar, unless there has been an act of dishonesty, since I have been the comptroller.

Mr. ANDREWS. They have not paid one dollar since I have been the auditor.

Mr. KEIFER. Have you ever had these men to claim that the embezzlement was due to neglect on the part of the Government?

Mr. TRACEWELL. In one case—in the Boyd case; and I will tell you about that. They claimed, and there is some truth in that, that the Government ought not to have permitted Boyd to do what he did. They permitted him, a man who did not belong to the disbursing office at all, to send out the checks, and they complained about that. They stopped that, and I have done all in my power to stop it in the departments.

Mr. KEIFER. That is generally a good defense, if the Government itself was liable?

Mr. TRACEWELL. No, sir. These men are insurers of the money.

Mr. KEIFER. You said that you were a bank director?

Mr. TRACEWELL. Yes, sir.

Mr. KEIFER. Suppose the directors of a bank permitted the cashier to carry on irregular business by personal overdrafts or having cash items of his own allowed to run until they get too large and he becomes a defaulter. If the directors of the bank know that he is doing business in that way, do you think the bank can collect a bond given by the cashier?

Mr. TRACEWELL. Probably not; but the bank is not a sovereignty and the Government is.

Mr. KEIFER. The rule applies to the state and nation; it is a question there of the obligee participating?

Mr. TRACEWELL. I do not think that the Government is liable for contributory negligence on the part of its agents.

Mr. KEIFER. It is not a question of contributory negligence; it is doing the very thing they are seeking to do, recover from an innocent bondsman. I have made the defense and been sustained.

Mr. TRACEWELL. I do not think you have ever made it against the Government.

Mr. ANDREWS. I would like to offer this suggestion: The point you just spoke of with reference to Mr. Boyd should be viewed in this light in relation to Mr. Worcester's bond for \$45,000: Mr. Worcester was Mr. Boyd's immediate superior administrative officer as chief clerk of the Marine-Hospital Bureau, and when this bond was given to Mr. Worcester under which we claim \$45,000, Mr. Worcester, the bonded officer, was the chief clerk.

Mr. KEIFER. I am not speaking of that case, because I do not know enough about it.

Mr. TRACEWELL. They did make that objection; I will answer your question.

Mr. TAWNEY. Mr. Tracewell, Mr. Bartlett also made the statement before us that his company "paid a loss on a paymaster two years ago, and just a few weeks ago we got a letter from the Treasury Department saying that there was a further loss to be made up. That man has been out of the service for nearly ten years, and we actually paid all the claim the Government had and got a release from the Government. And here, a few months ago, they say that they have found that he did something else that he ought not to have done, nothing criminally wrong, or even nothing immoral, but he simply paid out money and turned it in to the Government, but year after year had had it allowed to somebody. Now comes an official who puts a new construction on the statute, and says: 'This ought to have been allowed, and we will collect it from the surety company.'"

Mr. TRACEWELL. I do not think that anything of the kind occurred. He said that a man paid out money and turned it in. A man could not pay out money and turn it in. That would be an impossible thing.

Mr. SMITH. He means paid out the money and turned in the accounts.

Mr. TRACEWELL. I do not know what he means.

Mr. SMITH. That would be a fair interpretation, I think.

STATEMENT OF MR. F. HAZEN BOND, LAW AND BOND CLERK, TREASURY DEPARTMENT.

Mr. TAWNEY. It has been stated that one reason for increasing the rates on surety bonds is because the form of government bonds is too severe. What changes have been made in the surety bonds or in what respect do surety bonds differ with regard to conditions from individual surety bonds?

Mr. BOND. There has been no change in the conditions of bonds since the corporate sureties have been authorized. The bonds now

given are the same in form as they were when we had individual sureties only.

Mr. TAWNEY. The Government has always prescribed the form of bond to be given?

Mr. BOND. The form of bond is either prescribed in terms in the statute or else the law requiring the bond states in a general way what the condition shall be.

Mr. TAWNEY. Has there been any material change in the forms of official bond since the passage of the act of August 13, 1894, authorizing the acceptance of corporate surety bonds?

Mr. BOND. No, sir; there has been no change.

Mr. TAWNEY. How often are official bonds examined or renewed?

Mr. BOND. Official bonds are required by law to be examined at least once in every two years. As a matter of fact, they are, in some cases, examined yearly. That is for the purpose of ascertaining the sufficiency of the sureties. That requirement was evidently intended to apply principally to individual sureties. As to the corporate sureties, the law requires the companies themselves to submit quarterly reports of their financial condition. These reports are filed with the Secretary of the Treasury, and they enable him in a way to determine as to the sufficiency of the companies. It is a great handicap, however, not to be able to verify these reports. The bonds themselves are regularly examined and the penalties fixed once in every two years, and they are regularly renewed once every four years or oftener if for any reason it becomes necessary.

Mr. TAWNEY. How many clerks are employed in the Treasury Department on the work of examining bonds and the work of administering the provisions of the law with respect to giving bonds?

Mr. BOND. I can give you an estimate only, as I have not looked into the matter carefully and can speak only on general information. There are in my own office five clerks, whose salaries will aggregate about \$6,500. The solicitor has a bond clerk at \$1,800. The Customs Division a bond clerk at, I think, \$2,000. The Internal-Revenue Bureau has about fifteen clerks whose time is taken up in whole or in part by the bonding business of that service. The salaries of these clerks amount to approximately twenty or twenty-five thousand dollars, and the Solicitor of Internal Revenue, whose time is also partly occupied with bonding matters, receives, I think, \$4,500. There is at least one bond clerk in each of the auditing offices, and I think more than that in some. These clerks have the custody of the contract bonds and perform general duties relative to the official bonds and their relation to our officers' accounts. Their salaries may be estimated at \$10,000.

There is a bond clerk in the Treasurer's office and one in the Loans and Currency Division who look after indemnity bonds for lost checks, etc., at salaries of about \$1,800 each, and an officer in the Comptroller's office who examines certain of these bonds, whose salary is, I think, about \$2,500. There are also one or three clerks in the Supervising Architect's office who handle the contract bonds for public buildings at salaries of approximately \$3,400. There should also be included the Solicitor and the Assistant Solicitor, who devote more or less of their time personally to bonding matters. Their combined salaries would aggregate about \$6,500. Roughly speaking there are about thirty-five or forty officers or employees of the

Treasury Department whose time is devoted, in whole or in part, to bonding matters. This is of course not confined to official bonds, but include internal-revenue and contract bonds, all of which are examined in the Secretary's office before acceptance. Then there is the customs bonding business, which requires more or less of the time of at least one person at each customs port, and at the larger ports there are several bond clerks whose time is entirely taken up with bonding matters. The port of New York has probably fifteen to twenty-five or thirty such bond clerks. I could not even approximately estimate their aggregate compensations. The other executive departments have similar organizations, though of course they are not so extensive, except perhaps in the case of the Post-Office Department. Their bonds all ultimately come to the Treasury Department for file under the law before any moneys may be paid out thereunder, and it naturally follows that there is considerable duplication of work from the fact that the bonds pass through the hands of a number of officials and are examined a number of different times before they are finally accepted.

Mr. TAWNEY. Have you any method of dividing the liability between sureties on different bonds given by the same party?

Mr. BOND. Yes, sir. When an officer gives a new bond, pursuant to law or by direction of the Secretary, he is required, after the new bond is ready for approval, to close his accounts and to deposit all balances remaining in his hands, or deposited to his credit, on the day before the new bond is approved. That clears him up. It puts him out of the service, so to speak, just as effectually, so far as the division of his liability between the two bonds is concerned, as if his successor were appointed. His new bond is then approved, and he makes requisition and receives new advances of funds. The same thing is done when an officer goes out of the service. In the Internal-Revenue Service we send out a corps of experts to take charge of the office, make the settlement, and close the accounts for the officer, and open the accounts the next day under the new bond. The law releases the sureties on the old bond from future liabilities after the approval of the new bond. In the subtreasury service we make an absolute count of the money, sometimes requiring two or three months, every time a new bond is given, or when there is a change in the office.

Mr. TAWNEY. Is the penalty of the bond fixed by law in all cases, or by regulation?

Mr. BOND. In the case of officers of the customs service the law requires that the President shall fix the penalty. Mr. Roosevelt delegated that authority to the Secretary of the Treasury, and based the amount of the bond upon a scale bearing a certain ratio to the average receipts under a certain classification. In the case of the bonds of subtreasury and internal-revenue officers the penalties are fixed by the Commissioner of Internal Revenue and the Secretary of the Treasury. A similar scale has also been adopted in these services, so that the basis now for fixing these bonds is the average receipts.

Mr. TAWNEY. Is that true of the bonded officers of the Government outside of the Treasury Department?

Mr. BOND. All the officers of the Treasury, wherever located.

Mr. TAWNEY. Who fixes the penalty in the Interior Department?

Mr. BOND. The approving officer, the Secretary of the Interior.

Mr. TAWNEY. Do you know whether there has been any request to have the penalty of the bonds reduced because of the increased rates?

Mr. BOND. Yes, sir; a number of such requests have been made since the companies have increased their rates. In some cases it has been requested that the penalty of the bond be cut in two. In cases where the rates of the surety companies have been doubled the reduction of the bond to one-half would make the principal pay the same amount of premium.

Mr. TAWNEY. Do you know anything about the administration of the provision in the Indian appropriation bill which authorizes the payment of premiums out of the appropriation for that service?

Mr. BOND. I know that there is such a provision in the Indian appropriation bill, and I know in a general way that the surety companies have been requested to submit bids on certain bonds of the Indian service, and that they have been very wide apart in some of their bids for the same bond.

Mr. TAWNEY. Has there been any reduction in the penalty on those bonds?

Mr. BOND. I have understood that the rate has been greatly increased since the Government has paid for the bonds. I remember in one or two cases of having seen the statement published that the bids of the surety companies were \$1, \$1.28, \$1.49, \$1.80, and so on up to \$7.50 per thousand for the same bond.

Mr. KEIFER. That depended on the agent, I presume?

Mr. BOND. Those bids were submitted to the department and the premium was paid by the Government under that method of rate making.

Mr. KEIFER. Is not the rate made on the basis of who the agent is?

Mr. BOND. No, sir; that was on the same bond and for the same agent.

Mr. TAWNEY. In cases where application has been made for reducing the penalty on the bond on account of the increased premium has any application of that kind been allowed?

Mr. BOND. The matter has received very careful consideration and the sympathy is naturally with the official who has had his salary reduced as a result of the increase of rates; but it does not seem proper to reduce the Government's protection even to protect the principal, as an offset to the condition brought about by the unjustifiable action of the surety companies in increasing their rates on the bonds of government officials from 300 to 600 per cent.

Mr. SMITH. Are you aware of the fact that this year the Government will pay out about \$20,000 as premiums on the bonds of Indian agents when the average loss for the last twenty years has been less than a thousand dollars?

Mr. BOND. I have not any definite information on the subject except as I have already stated. I know in a general way that an appropriation has been made, but I do not remember how much it is, and I can not recall with accuracy what amount of losses have been paid on those bonds. That will be found in the report of the auditor.

Mr. SMITH. So if it is a fact that we are paying out twenty times as much as we receive, you do not know it?

Mr. BOND. I should not be surprised if the statement is correct.

Mr. TAWNEY. Mr. Andrews, you have furnished a statement regarding the losses paid on account of defalcations on bonds during the past ten years, which statement shows that the losses did not all occur during the ten years, but some of them in previous years. That statement, as I understand you, is a correct statement of the actual losses paid?

Mr. ANDREWS. We have taken very great care that every item disclosed in that statement is sustained by our record. I can say this, in support of accuracy of statement, that some eight years ago I adopted a plan whereby we keep a docket just as regularly as a court would keep its docket, and that when we make a final settlement a statement of the case to the Comptroller for instructions concerning suit, that passes to the law clerk, and he enters the matter upon his docket, and it goes through; and all we need to do at any time is to go back and check up that docket to ascertain the facts.

Mr. TAWNEY. That is the way this system is made up?

Mr. ANDREWS. Yes, sir; mainly for the items that have gone upon record since that time. There are a few of these payments made within the period of time that relate to cases whose causes of action accrued prior to that date and prior to my coming into the office.

Mr. TAWNEY. The statement shows the extent of the contingent liability of the company during the period covered by the statement?

Mr. ANDREWS. Yes, sir; and the continuation of that docket from year to year will give us the absolute facts upon which to show every contingent liability of the Government in connection with the matter from year to year.

Mr. SMITH. Is there any way in which we can discover what has been the relative amount that was found due by the original audits and the amount that was finally collected, in comparison with these items, so that we can see what amount has been lost to the Government?

Mr. ANDREWS. I think our statement there will give the major part of that information by the comparison of the different columns. For instance, I take in one column "amounts found due upon final settlement." That is the total amount required to balance that account. When payments are made we enter those upon the docket in connection with the original charge. The court may hold in its judgment for interest and costs and we would have an excess. Sometimes an offer in compromise is accepted, so that in the column of receipts we will have the amount paid in, and in the column "total amounts found due upon original settlement" we will find the total amount of charges made against these companies.

Mr. SMITH. Inasmuch as the court may, in its discretion, allow interest the totals should not be compared to separate items.

Mr. ANDREWS. We would have a column segregating the interest and cost charges from the original amount. Those would be covered to miscellaneous receipts, and the actual amount necessary to balance the account would be entered according to the record in final settlement, and the others would find their settlement in the miscellaneous items.

**ADDITIONAL LETTERS AND OTHER PAPERS RELATING TO THE
FOREGOING INQUIRY CONCERNING PREMIUM CHARGES FOR
BONDS OF OFFICERS AND EMPLOYEES OF THE UNITED STATES.**

TREASURY DEPARTMENT,

OFFICE OF THE SECRETARY,

Washington, D. C., December 7, 1908.

The CHAIRMAN, COMMITTEE ON APPROPRIATIONS,

House of Representatives.

SIR: There are written annually to the Government approximately 500,000 bonds, with penalties aggregating \$4,000,000,000. Approximately 25 per cent of this amount, or \$1,000,000,000, is written by surety companies. The law requires the Secretary of the Treasury to approve the sufficiency of a very large percentage of these bonds, aggregating probably \$3,500,000,000.

With the facilities at hand it has not been possible to discharge this important duty to my entire satisfaction, and in order that the Secretary of the Treasury may be able to determine intelligently whether in fact the bonds written to the Government by 30 or more companies doing government business are secure it is absolutely essential that the small appropriation of \$5,000 requested for necessary expenses incident to the examination of the companies who signify their desire to do business with the Government be made immediately available.

Within the past few years three companies have failed. One of these companies made a false and fraudulent statement to the Government that it had assets amounting to \$761,561, and two months later a receiver, appointed for the company, reported that "there are no collectible assets except possibly recovery from stockholders upon unpaid subscriptions." By a great effort sufficient funds were secured to reinsure in another company the bonds given to the Government. Another company was surety on a shipbuilding contract. The contractor failed and the Government had to complete the contract at a loss of \$412,331 in excess of the contract price, and recovered only \$40,000 from the surety company, thus suffering a loss of \$372,000.

Undoubtedly had the approving officers had the means at their disposal of ascertaining the facts in these cases they would not have been misled into accepting those companies. Some of the other companies have shown in their reports for the past year great reductions in surplus and reserves and a large increased ratio of losses to premium receipts. The Government is the principal user of this class of corporations and is, therefore, most vitally interested in their solvency. The \$5,000 requested to enable the Secretary of the Treasury to make proper inquiry into these matters is a very small percentage of the losses already suffered because of lack of proper information.

Respectfully,

GEO. B. CORTELYOU,
Secretary.

INSTRUCTIONS RELATIVE TO THE ACCEPTANCE OF BONDS EXECUTED
BY SURETY COMPANIES.

[1908. Department Circular No. 36. Division of Appointments.]

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, June 2, 1908.*To officers and employees of the Treasury Department:*

Except where otherwise directed by the Secretary of the Treasury, the following practice will be adopted in the acceptance of recognizances, stipulations, bonds, or undertakings under this department executed by guarantee or surety companies.

1. No company having authority under the act of Congress of August 13, 1894, to do business with the United States, shall be accepted as sole surety on any recognizance, stipulation, bond, or undertaking under this department, the penal sum of which is greater than 10 per cent of the paid-up capital and surplus of such company; except on transportation or warehousing bonds, on which the limit of any such company on any one of such bonds shall be 50 per cent of its paid-up capital and surplus.

2. Two or more companies may be accepted as sureties on any recognizance, stipulation, bond, or undertaking under this department, the penal sum of which does not exceed the limit herein prescribed of their aggregate paid-up capital and surplus; and in such cases each company may limit its liability, in terms, upon the face of the bond, to a definite specified amount, such amount to be in all cases, however, within the limitations herein prescribed. In cases where the law expressly requires it, every such recognizance, stipulation, bond, or undertaking shall be executed by the principal and sureties jointly and severally.

3. No company shall be accepted as surety on any recognizance, stipulation, bond, or undertaking under this department which shall execute any recognizance, stipulation, bond, or undertaking on behalf of any individual, firm, association, or corporation, whether or not the United States is interested as a party thereto, the penal sum of which is greater than 10 per cent of the paid-up capital and surplus of such company, except under the conditions and limitations herein prescribed.

4. No portion of any recognizance, stipulation, bond, or undertaking shall be included in determining the limitations herein prescribed which shall have been reinsured at the time of execution and delivery of the original obligation, or within twenty days thereafter, in a company authorized to do business under the act above referred to, within the limitations herein prescribed, or in such companies and under such limitations as the Secretary of the Treasury shall have approved: *Provided*, That on every such recognizance, stipulation, bond, or undertaking in which the United States is interested as a party the reinsurance agreement shall be executed simultaneously with the original obligation by a company authorized to do business under the act of August 13, 1894, and shall run directly to the United States.

5. No portion of any recognizance, stipulation, bond, or undertaking, except those in which the United States is interested as a party, shall be included in determining the limitations herein prescribed,

upon which such company shall have been secured at the time of execution and delivery of the original obligation, by the deposit in pledge, or by conveyance in trust, for its protection, of property equal in value to such excess.

6. No portion of any recognizance, stipulation, bond, or undertaking, executed on behalf or on account of a fiduciary holding property in a trust capacity, shall be included in determining the limitations herein prescribed, upon which such company shall have been secured by an agreement for the deposit, made at the time of execution and delivery of the original obligation, and by the actual deposit or other disposition within twenty days thereafter, of a suitable and sufficient portion of the estate so held that no further sale, mortgage, pledge, or other disposition can be made thereof without such company's approval, except by the decree of a court having proper jurisdiction.

7. In determining the limitations herein prescribed the full penalty of the bond will be regarded as the liability, and no offset will be allowed on account of any estimate of risk which is less than the full penalty of the bond, except in the following cases:

(a) Appeal bonds; in which cases the liability will be regarded as the amount of the judgment appealed from plus 10 per cent of said amount to cover interest and costs.

(b) Bonds of executors, administrators, trustees, guardians, and other fiduciaries; in which cases the estimate of value of the known estate will be regarded as the liability.

(c) Contract bonds, except those in which the United States is interested as a party, given in excess of the amount of the contract; in which cases the amount of the contract will be regarded as the liability.

(d) Bonds for banks or trust companies as principals, conditioned to repay moneys on deposit, where, by any law or decree of a court, the amount to be deposited shall be less than the penalty of the bond; in which cases the maximum amount on deposit at any one time will be regarded as the liability.

Each company will be required to report quarterly to the Secretary of the Treasury, as provided by paragraph 8 hereof, every such obligation the penal sum of which is greater than 10 per cent of its paid-up capital and surplus, together with a full statement of the facts which tend to bring it within the provisions of this paragraph.

8. Every such company will be required to file with the Secretary of the Treasury during the month of January of each year a statement of its financial condition at the close of the preceding year, upon the form provided by the Treasury Department. During the months of January, April, July, and October of each year every such company will be required to file with the Secretary of the Treasury a statement of its financial condition at the close of the preceding three months, upon the form provided by the Treasury Department. And with each of said statements every such company will be required to file with the Secretary of the Treasury, upon the form provided by the Treasury Department, a schedule of the single risks which it has undertaken during the preceding three months in excess of the limitations herein prescribed, showing the manner in which each of such excesses has been covered under these instructions.

9. The amount of paid-up capital and surplus of every such company shall be determined by the annual and quarterly financial state-

ments filed with the Secretary of the Treasury as herein provided, or by reports upon current examinations made by the insurance departments of the several States or by the Attorney-General of the United States. Pursuant to their request the Secretary of the Treasury will keep the other executive departments advised, from time to time, as to the status and qualifying power of the various companies under these instructions.

10. In the event that it becomes necessary to waive the limitations herein prescribed on any recognizance, stipulation, bond, or undertaking given to the United States, notice of such waiver and the manner in which the excess is required to be covered shall in each instance be immediately transmitted by letter to the head of each of the other executive departments.

11. Failure on the part of any company to comply with the provisions of these instructions will be considered sufficient ground for refusing to accept further such company as surety on obligations under this department during the continuance of such delinquency, and in the event of persistent failure to observe the provisions of these instructions the name of any such company will be eliminated from the published list of sureties acceptable to this department.

12. These instructions take the place of and cancel Department Circular No. 8, of February 1, 1907.

GEORGE B. CORTELYOU, *Secretary.*

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, July 6, 1909.

Hon. J. A. TAWNEY,
*Chairman Committee on Appropriations,
House of Representatives.*

SIR: I have the honor to acknowledge receipt of your letter of July 2, 1909, requesting, for the use of the Committee on Appropriations, a statement showing the capital and surplus of surety companies reporting to this department as shown by their financial statements filed for the years 1907 and 1908, and for the quarter ending March 31, 1909. The statement desired is herewith inclosed in tabular form and shows the capital and surplus of the companies which have filed statements with this department to be as follows: 1907, \$23,284,652; 1908, \$25,874,448; March 31, 1909, \$26,664,876. There are eight companies authorized to do business with the United States under the act of Congress of August 13, 1894, which have not filed their statements regularly; these companies are enumerated in the tabulation and are shown to have a total capital and surplus of approximately \$47,865,176.

Respectfully,

C. D. HILLES,
Acting Secretary.

Capital actually paid up in cash and surplus paid in by stockholders or undivided profits or surplus earned, as shown by the annual statements submitted to the Secretary of the Treasury, for the years ending December 31, 1907 and 1908, and the quarterly statements filed for the quarter ending March 31, 1909.

	1907.	1908.	March 31, 1909.
Pacific Surety Co. of California, San Francisco	\$369,864	\$384,425	\$375,824
Aetna Indemnity Co., Hartford, Conn.	590,435	336,545	367,451
Illinois Surety Co., Chicago, Ill.	302,168	337,745	351,289
Federal Union Surety Co., Indianapolis, Ind.	332,163	374,838	334,840
American Bonding Co., Baltimore, Md.	702,670	803,553	858,561
Fidelity and Deposit Co., Baltimore, Md.	4,321,292	4,501,064	4,580,839
United States Fidelity and Guaranty Co., Baltimore, Md.	1,902,296	1,965,987	2,065,581
United Surety Co., Baltimore, Md.	662,060	645,291	611,463
Massachusetts Bonding and Insurance Co., Boston, Mass.	742,366	701,826	709,931
Commerce Trust Co., Kansas City, Mo.	1,000,618	1,118,381	1,123,499
American Surety Co., New York, N. Y.	4,568,536	5,212,272	5,444,319
Empire State Surety Co., New York, N. Y.	705,135	640,115	654,193
Fidelity and Casualty Co., New York, N. Y.	1,701,312	3,011,834	3,227,253
National Surety Co., New York, N. Y.	1,043,022	1,443,618	1,494,526
People's Surety Co., Brooklyn, N. Y.	400,000	502,000	515,923
United States Guarantee Co., New York, N. Y.	514,912	569,571	571,966
Ankers' Surety Co., Cleveland, Ohio.	557,410	556,365	557,783
Southern Surety Co., Muskogee, Okla.	453,528	443,752	450,921
Pennsylvania Surety Co., Harrisburg, Pa.	308,700	417,742	412,822
Title Guaranty and Surety Co., Scranton, Pa.	1,276,263	1,163,702	1,236,358
American Fidelity Co., Montpelier, Vt.	327,591	238,919	296,287
Citizens' Trust and Guaranty Co., Parkersburg, W. Va.	442,311	444,903	428,247
	23,284,652	25,874,448	26,064,876

Other companies authorized by the Attorney-General, by the act of Congress of August 13, 1894, to be accepted as surety on bonds given to the United States, which companies are delinquent in filing their reports with the Treasury Department. The figures given are taken from the last statements filed.

American Pneumatic Service Company, Boston, Mass.	\$16,709,714
Detroit Trust Company, Detroit, Mich.	1,548,328
Fidelity Trust Company, Kansas City, Mo.	2,144,786
Union Bank and Trust Company, Helena, Mont.	369,144
Cambridge Trust Company, Chester, Pa.	284,297
Union Trust Company, Pittsburg, Pa.	26,186,333
Guaranty Trust and Banking Company, El Paso, Tex.	329,754
Atlantic Trust and Deposit Company, Norfolk, Va.	293,000
Total	47,865,356

[Report of the Secretary of the Treasury, 1907.]

SURETY COMPANIES.

Within the past few years there has been a great increase in the number and amount of bonds written for the Government by surety companies. It is estimated that the aggregate amount of such bonds written in favor of the Government during the last fiscal year approximated \$4,000,000,000. In some instances companies have written single bonds in an amount greater than their total capital and surplus.

On February 1, 1907, my predecessor issued regulations fixing a limit to the liability which any company might assume as sole surety on any single risk running to the Treasury Department and prescribing the general conditions under which the business should be conducted. Under its operations conditions have improved, but it

seems essential, in view of the magnitude of the business and of the interests involved, that an insurance division should be created in this department to supervise the general bonding business of the Government, and with ample power to examine and investigate the solvency and methods of the various companies doing business with the Government. The department could by this means better safeguard the interests of the public service, could secure a uniformity of forms, and could supply information with reference to bonds and bonding companies to all the other Executive Departments.

Legislation terminating the liability of the sureties on a bond in regard to any future transaction after a new bond has been executed at the end of four years, as required by law for the same class of disbursements, is also desirable.

The law relating to the liability of the sureties upon the bonds of assistant treasurers should be amended so as to authorize a bonded deputy to act in the event of the decease of an assistant treasurer or to make the bond of the deceased officer liable for the act of the deputy until the appointment of a successor. Only the Treasurer of the United States can now act in case of the death of an assistant treasurer. The law should also be amended which provides that the estate of a deceased customs officer shall be liable for the acts of his deputy. It is very embarrassing to the Government when such principal happens to have no estate. The law should specifically make the sureties upon the bond liable for the acts of the deputy of such deceased principal, or the deputy should be separately bonded.

The law prescribing the form of bond for customs officers should be repealed and the adoption of a proper form should be left to the Secretary of the Treasury, as are the forms of all other bonds under the department. Because of the fact that the form of bond of customs officers is recited in the law, it is necessary to require in some cases six or eight separate bonds from such officers for the disbursement of funds which might properly be assigned to them by the Secretary under one official bond if their bonds as customs officers could be made broad enough to cover such disbursements.

[Report of the Secretary of the Treasury.]

SURETY BONDS.

The law makes no adequate provision for effective federal supervision of surety companies authorized under the act of August 13, 1894, to do business with the United States. A recapitulation of the business for the last fiscal year shows that, including customs, internal revenue, and contract bonds, 500,000 bonds were required by the Government, with penalties aggregating \$4,000,000,000, and that approximately one-fourth of this amount was written by surety companies.

On February 1, 1907, the Secretary of the Treasury limited the amount for which any bonding or surety company would be accepted on any one bond to 10 per cent of its capital and surplus. This regulation has been twice revised and adopted by all of the executive departments and is now in operation. It has been productive of beneficial results and should be enacted into law.

The function performed by the Treasury Department in supervising the advancement of public funds and the auditing and settling of accounts has brought under its immediate review practically all of the bonding business in which the Government is interested. Bonds of all other executive departments submitted to it for this purpose are certified by the Treasury Department as to the authority of the executing officers of the surety companies and as to legal sufficiency; and the financial and other statements showing the condition of these companies are rendered to and passed upon by the Treasury Department, the information thus obtained being made available to the other departments. This information, disclosing as it does in a general way the business methods and financial condition of the bonding companies, emphasizes the need of further inquiry along these lines. This, however, can not effectively be done without the use of a small sum, which I recommend be appropriated for the purpose. Five thousand dollars will be adequate for the next year, and this amount will be included in the annual estimates.

I renew the recommendations contained in my report of last year as follows:

The law should be amended so as to terminate the liability of the sureties on a bond as to future transactions after a new bond has been executed as required by law for the same class of disbursements.

The law relating to the liability of the sureties upon the bonds of assistant treasurers should also be amended so as to authorize a bonded deputy to act in the event of a vacancy by death or otherwise of an assistant treasurer, or by making the bond of such officer liable for the acts of the deputy until the appointment of his successor. Only the Treasurer of the United States can now act in case of the death of an assistant treasurer.

The law should also be amended which provides that the estate of a deceased customs officer shall be liable for the acts of his deputy until the appointment of his successor. It sometimes happens that such officers have no such estates as would afford the Government adequate protection. The law should specifically make the sureties on the bond of the deceased collector liable for the acts of the deputy, or the deputy should be separately bonded.

The law prescribing a form of bond for customs officers should also be amended and the adoption of a proper form should be left to the Secretary of the Treasury, as in the case of most other bonds. Because of the fact that the form of these bonds is recited in the law it becomes necessary to require, in some cases, six or eight separate bonds from such officers for the disbursement of funds which might properly be assigned to them by the Secretary under one official bond if the law authorized the requirement of a bond sufficiently broad in its terms to cover such disbursements.

[Report of the Attorney-General (1908).]

EXAMINATION OF SURETY COMPANIES.

By the terms of section 4 of the act approved August 13, 1894 (28 Stat., 279), it is made the duty of this department to authorize surety companies to act as such on bonds to the United States. In the discharge of this duty the department has been called upon to ascertain

the facts made relevant by the statute with respect to such surety companies as have from time to time applied for this privilege. The language of the law is as follows:

That every such company shall, in the months of January, April, July, and October of each year, file with the said Attorney-General a statement, signed and sworn to by its president and secretary, showing its assets and liabilities, as is required by section three of this act. And the said Attorney-General shall have the power, and it shall be his duty, to revoke the authority of any such company to transact any new business under this act whenever in his judgment such company is not solvent or is conducting its business in violation of this act. He may institute inquiry at any time into the solvency of said company and may require that additional security be given at any time by any principal when he deems such company no longer sufficient security.

It is obvious that this does not contemplate a thoroughgoing inquiry by this department into the resources or business management of these several corporations, nor has this department been provided by law with the necessary facilities for making such inquiries. It has been recently suggested that inquiry of this nature ought to be made before any corporate surety is accepted upon application to the Government, and it is undoubtedly the intent of the law that the department accepting such surety shall be in each case satisfied of its solvency and sufficiency to protect the Government. If it be deemed expedient to expand the duties of this department so as to include the ascertainment of all facts needful to enable it or other departments of the Government to pass intelligently upon this question, such provision should be made by law as will enable it to efficiently discharge such augmented duties, and in any event the department's responsibility should be clearly defined and be limited by its authority in the premises.

BONDS OF POSTAL EMPLOYEES.

All postmasters are required to furnish a satisfactory bond before entering upon their duties. The amount of the bond ranges from \$500 to more than half a million dollars. Assistant postmasters at presidential offices, cashiers, all other supervisory and clerical employees at first and second class offices who have any financial responsibility, and city letter carriers are also required by law to give bond. Many other employees, including rural letter carriers and railway mail clerks, are required to give bond under the regulations of the department.

The sureties on the great majority of bonds of officers and employees other than postmasters are corporations, and the premiums charged probably average \$1 for each \$1,000 of the bond. Postmasters are required to give personal sureties, and at least one of the sureties must be a patron of the post-office to which the suretyship relates. At offices of the first and second classes, surety companies are accepted for one-half of the penalty of the bond. It is the usual practice, however, where a personal bond is given, for the postmaster to furnish to his bondsmen an indemnity bond from a surety company. The giving of bonds, therefore, cost postal officers and employees a large sum in the aggregate, the premiums on the bonds being sufficient to pay many times over all the losses that occur through defalcations. It is apparent that the execution, acceptance, and

filing of these bonds entails a vast amount of clerical work. The average annual collections from surety companies and individual bondsmen on account of defalcations of postmasters and employees amount to less than \$32,000. The salaries of employees in this bureau alone who are engaged on work incident to the bonding of postmasters, clerks, and letter carriers amount to over \$20,000 per annum.

It is estimated that the total penalty of postmasters' bonds is \$125,000,000. The amount of the bonds furnished by surety companies for assistant postmasters at first, second, and third class offices and for clerks at first and second class offices is about \$40,000,000. The bonds of city letter carriers aggregate about \$35,000,000. The total for the officers and employees whose bonds are handled in this bureau is therefore about \$200,000,000. At the rate of \$1 premium for each \$1,000 of bond the annual payments to surety companies would be \$200,000. It is estimated that the number of bonded officers and employees in the entire postal service, including mail contractors, is 238,513, and the estimated amount of the premiums paid on the bonds is \$320,000.

In most instances these officers and employees must furnish a satisfactory bond before entering upon their duties. This necessarily consumes time and entails labor. If, therefore, the department can do away with the system of bonding employees, a considerable amount of time and work will be saved. Many private corporations collect an indemnity fund from their employees instead of requiring bonds. The same system prevails in the Canadian postal service, and it is believed that the plan would give excellent results in our own service.

It is recommended, therefore, that the attention of Congress be called to the need for legislation that will enable the department, instead of requiring bonds as at present, to collect an indemnity fund from the officers and employees of the postal service at a rate not exceeding \$1 per annum on each \$1,000 of insurance required, this fund to be deposited in the Treasury, subject to withdrawal on the Postmaster-General's order to make good any losses that occur through the defalcations of the persons insured. Every officer or employee contributing to the indemnity fund would have a direct and personal interest in the integrity of his fellows, a fact entitled to considerable weight in balancing the advantages and disadvantages of the proposed plan. Among the other advantages of the system proposed are, first, the facility with which losses could be adjusted without resort to the courts; second, the labor saved by dispensing with the periodical examination of personal bonds to ascertain the sufficiency of the sureties thereon; and third, the protection afforded subordinate employees against increasing premiums on corporate surety bonds.

BONDS OF OFFICERS AND EMPLOYEES OF THE POSTAL SERVICE.

The establishment of a guaranty fund by collecting annually from postmasters and employees holding positions of financial responsibility small sums, to be used in paying losses that occur through defalcations, is suggested for consideration of the Congress. More than 200,000 officers and employees of the postal service are required to give bond, either by law or by regulation, in amounts aggregating about \$300,000,000, with either corporate or individual surety. It

is evident that the execution, acceptance, and filing of these bonds entails a vast amount of clerical work, the salaries of the clerks amounting to \$37,000 a year. The average annual collections from surety companies and individual bondsmen amount to less than \$32,000. Estimating the premium paid surety companies at \$1 per thousand on the bonds accepted from such companies and the total amount of these bonds at \$200,000,000, the aggregate amount paid therefor annually by the officers and employees is \$200,000.

OFFICE OF THE POSTMASTER-GENERAL,
Washington, D. C., June 8, 1909.

Hon. JAMES A. TAWNEY,
House of Representatives.

MY DEAR SIR: In answer to your letter of the 5th instant, relative to the estimate made in the report of the First Assistant Postmaster-General for the year ended June 30, 1908, of the total number of postal officers and employees and mail contractors under bond to the United States and the gross amount of the premiums paid by them to surety companies, I beg to state that the estimate referred to appears to be substantially correct. While a considerable number of postmasters and mail contractors give bonds for amounts largely in excess of \$1,500, it is probable that the average penalty of all the bonds taken by this department does not exceed \$1,500. In explanation of this low average it should be noted that out of a total of about 240,000 persons under bond, more than 100,000 are bonded in the sum of \$500 or less, while nearly 100,000 more give bond for a sum not in excess of \$1,000.

Very truly, yours,

F. H. HITCHCOCK,
Postmaster-General.

That hereafter the expense of procuring the official bond of any agent, superintendent, or other disbursing officer of the Indian Service shall be paid by the United States. (Indian appropriation act, fiscal year 1909.)

DEPARTMENT OF THE INTERIOR,
OFFICE OF INDIAN AFFAIRS,
Washington, June 24, 1909.

Hon. JAMES A. TAWNEY,
House of Representatives.

SIR: In compliance with an informal request made by Mr. Herbert D. Brown, I have the honor to transmit herewith copies of certain correspondence between this office and the agent of the United States Fidelity and Guaranty Company concerning the suretyship of said company on bonds of disbursing officers of the Indian service.

Very respectfully,

H. DIMICK,
Chief, Accounts Division.

DEPARTMENT OF THE INTERIOR,
OFFICE OF INDIAN AFFAIRS,
Washington, February 10, 1909.

UNITED STATES FIDELITY AND GUARANTY COMPANY,
1423 New York Avenue, Washington, D. C.

SIRS: As you are aware, the expense of procuring surety on the official bonds of agents, superintendents, and other disbursing officers of the Indian Service is to be paid by this office. To avoid the issuance of frequent invitations for bids, you are requested to submit an open bid specifying the rate per thousand on the bonds of Indian agents, special Indian agents, Indian inspectors, supervisors of Indian schools, school superintendents, superintendents of irrigation, special allotting agents, etc., for a period up to and including May 1, 1909.

If you submit a bid as requested, it must be with the understanding that it is in accordance with the conditions set out in this letter:

1. If the bond run for one, two, three, or four years, the premium will be paid annually at the rate the award is made.

2. If, for any reason—resignation, removal, transfer, or death of principal—the liability on the bond terminates during a year in which the full premium has been paid, the surety company will allow a rebate of the unearned premium.

3. Bonds awarded to any company must be executed promptly. Any unnecessary delay will result in the award being withdrawn and another award being made.

4. No company will be accepted as sole surety on any bond in excess of 10 per cent of its capital stock and surplus unless the bid is submitted jointly with another company, 10 per cent of the combined capital stock and surplus of the two companies being in excess of the penalty of the bond; otherwise, if the amount of the bond exceeds 10 per cent of the capital stock and surplus of the company bidding, it will result in the bid not being considered.

5. Companies desiring to be considered in connection with bonds in excess of their qualifying power must name their cosurety, and their bid must be signed jointly by both companies.

6. No bid will be accepted for a limited time, but must be made with the understanding that it is to remain in force during the life of the bond, unless sooner revoked by the Secretary of the Interior.

7. Bidders must confine themselves to the above terms. Companies declining to comply with the foregoing conditions must so state specifically in bidding.

8. The right is reserved to reject any or all bids if not deemed satisfactory.

You are requested to have your bid on file in this office by 11 o'clock on the morning of the 13th instant.

Very respectfully,

C. F. HAUKE,
Acting Chief Clerk.

THE UNITED STATES FIDELITY AND GUARANTY CO.,
Washington, D. C., February 19, 1909.

The COMMISSIONER OF INDIAN AFFAIRS,
Indian Office, Department of the Interior,
Washington, D. C.

DEAR SIR: Replying to your favor of February 10, and in strict accord with the regulations and instructions therein contained, we offer to become surety upon bonds of Indian officials—up to and including May 1, 1909—as follows:

Indian agents.....	per M per annum..	\$4. 00
Special Indian agents.....	do.....	2. 00
Indian inspectors.....	do.....	2. 50
Supervisors of Indian schools.....	do.....	2. 50
Indian school superintendents.....	do.....	2. 50
Superintendents of irrigation.....	do.....	2. 50
Special allotting agents.....	do.....	2. 50

Yours, very truly,

J. S. SWORMSTEDT,
General Agent.

THE UNITED STATES FIDELITY AND GUARANTY CO.,
Washington, D. C., May 25, 1909.

The COMMISSIONER OF INDIAN AFFAIRS,
Indian Office, Department of the Interior,
Washington, D. C.

SIR: The United States Fidelity and Guaranty Company offers to become surety upon bonds in behalf of officials of your department, as follows:

Indian agents and special agents.....	per M per annum..	\$4. 00
Superintendents Indian schools.....	do.....	3. 00
Supervisors and inspectors, Indian schools.....	do.....	2. 00
All other bonded officials.....	do.....	2. 50

Special bonds to cover per capita payments, \$2 per thousand for term of one year or less.

Minimum charge, \$5.

These rates to hold good until withdrawn.

Yours, very respectfully,

J. S. SWORMSTEDT, *General Agent.*

DEPARTMENT OF THE INTERIOR,
 OFFICE OF INDIAN AFFAIRS,
Washington, June 5, 1909.

Mr. J. S. SWORMSTEDT,
Agent United States Fidelity and Guaranty Company,
1423 New York Avenue, Washington, D. C.

SIR: Notice is hereby given that the services of Edward B. Kelley as superintendent of the Rosebud Indian School in South Dakota, under bond for \$90,000, dated December 3, 1908, on which the United States Fidelity and Guaranty Company qualified as surety, terminated May 28, 1909, and said company is released from liability for any acts or defaults that may be committed by him after that date.

As the said bond was in effect only from December 5, 1908, to May 28, 1909, inclusive, your company has been charged on the books of this office with the unearned premium from May 29 to December 4, 1909, inclusive, six months and six days, which, at the rate of \$2 per \$1,000 per annum, amounts to \$93.

Very respectfully;

C. F. HAUKE, *Chief Clerk.*

THE UNITED STATES FIDELITY AND
GUARANTY COMPANY, BALTIMORE, MD.,
Washington, D. C., June 7, 1909.

The COMMISSIONER OF INDIAN AFFAIRS,
Indian Office, Department of the Interior,
Washington, D. C.

DEAR SIR: Re termination of services of E. B. Kelley, bond dated December 4, 1908: Kindly refer me to the law or regulation under which the action referred to in yours of June 5, 1909, has been taken, and greatly oblige,

Yours, very truly,

J. S. SWORMSTEDT,
General Agent.

DEPARTMENT OF THE INTERIOR,
OFFICE OF INDIAN AFFAIRS,
Washington, June 11, 1909.

Mr. J. S. SWORMSTEDT,
General Agent, United States Fidelity and Guaranty Co.,
1423 New York Avenue, City.

SIR: Answering your letter of the 7th instant, you are advised that rebates of unearned premiums on bonds of disbursing officers, whose services under such bonds terminate before the expiration of the year for which premium has been paid, are not claimed by this office under any law or regulation, but simply as a matter of right and justice. Other surety companies recognize the equity of and allow such rebates, and if your company is not willing to do the same this office would like to be so informed.

As you were advised by a recent letter, the office does not propose to claim any rebate which would reduce the premium on a bond to less than \$5.

Very respectfully,

C. F. HAUKE, *Chief Clerk.*

THE UNITED STATES FIDELITY AND
GUARANTY COMPANY, BALTIMORE, MD.,
Washington, D. C., June 12, 1909.

The COMMISSIONER OF INDIAN AFFAIRS,
Indian Office, Interior Department, Washington, D. C.

SIR: I have yours of June 11 in reply to my request of June 7 asking you to kindly refer me to the law or regulation under which action referred to in yours of June 5, 1909, had been taken.

You frankly admit that said action was not taken by your office under any law or regulation, but simply as a matter of right and justice.

Will you kindly inform me as to who is authorized or claims to be authorized to decide a matter of right and justice without giving a hearing to the parties who will be affected by such opinion?

Respectfully, yours,

J. S. SWORMSTEDT, *General Agent.*

DEPARTMENT OF THE INTERIOR,
OFFICE OF INDIAN AFFAIRS,
Washington, June 18, 1909.

Mr. J. S. SWORMSTEDT,
General Agent United States Fidelity and Guaranty Co.,
1423 New York avenue, City.

SIR: The office is in receipt of your letter of the 12th instant concerning a rebate of unearned premiums on the bond of Edward B. Kelley, amounting to \$93, which you were informed on the 11th instant had been charged to your company "not under any law or regulation, but simply as a matter of right and justice." You ask to be advised "as to who is authorized—or claims to be authorized—to decide a matter of right and justice without giving a hearing to the parties who will be affected by such opinion."

Without undertaking to answer your question categorically, or entering into an academic discussion concerning the correctness of the attitude of this office in the premises, I beg leave to invite your attention to the following facts: The bond of Mr. Kelley was signed by your company as surety on December 3, 1908, which was before the promulgation of any formal rules prescribing the conditions under which bids of the various companies for qualifying as surety on official bonds would be accepted. On February 10, 1909, such rules were issued, and you were invited to submit an open bid thereunder for the period up to and including May 1, 1909. Among the conditions prescribed in these rules was the following:

If, for any reason—resignation, removal, transfer, or death of principal—the liability on the bond terminates during a year in which the full premium has been paid, the surety company will allow a rebate of the unearned premium.

On February 19, 1909, you submitted a bid, and stated in your letter that you did so "in strict accord with the regulations and instructions," to which reference has been made.

It is evident from this that whatever views you may have had on the subject before February 19, and after May 1, 1909, you conceded the righteousness and justice of allowing a rebate of unearned premium between those dates. It can hardly be contended that the principle was right at one time but wrong at another, and having recognized its justice on February 19, you can not consistently do otherwise now.

But leaving the question of equity entirely out of consideration, this office naturally wishes to obtain surety on the bonds of its disbursing officers on the most favorable terms possible, and as no other company has objected to allowing rebates of unearned premiums you will not be awarded any part of the business in future unless your terms are as

favorable as those of the other companies. There are a number of bonds to be awarded between now and the 1st of July. If you wish to compete for them you must indicate your willingness to allow the required rebates. One of these bonds (for \$175,000) is now ready for execution, but you will not be considered in connection therewith unless the office is advised immediately of a change in your attitude regarding unearned premiums.

Very respectfully,

R. G. VALENTINE,
Acting Commissioner.

THE UNITED STATES FIDELITY AND
GUARANTY COMPANY, BALTIMORE, MD.,
Washington, D. C., June 19, 1909.

The COMMISSIONER OF INDIAN AFFAIRS,
Washington, D. C.

DEAR SIR: Referring to bid filed in your office in behalf of the United States Fidelity and Guaranty Company under date of May 25, 1909, I wish to amend the same by adding as follows:

"This bid is made in strict accord with the regulations and instructions promulgated by your office under date of February 10, 1909."

Yours, very truly,

J. S. SWORMSTEDT, *General Agent.*

DEPARTMENT OF THE INTERIOR,
OFFICE OF INDIAN AFFAIRS,
Washington, June 26, 1909.

GENTLEMEN: In view of a seeming misunderstanding of the relative risks on bonds of the various disbursing officers of the Indian service, as evidenced by the inequality of premium rates quoted by surety companies, the following information concerning the duties and responsibilities of such disbursing officers is published for the information of all concerned.

INDIAN AGENTS.

There are at present only two Indian agents, one of whom has been changed to superintendent, to take effect July 1, and the other is an army officer, who gives no bond.

SCHOOL SUPERINTENDENTS.

These officials are in the classified service and are picked men, selected and promoted from minor positions after demonstrating their integrity and efficiency. They have entire control over the agencies and schools under their charge and receive and disburse all funds pertaining thereto, including those designated as "Individual Indian money." The latter, although carried in the accounts of the disbursing officer, are usually deposited to the credit of the individual Indians in national banks bonded to the United States, and withdrawn only on checks signed by the Indians and countersigned by the superintendent. By far the largest part of the funds handled by most of the superintendents in charge of agencies are of this kind.

SPECIAL INDIAN AGENTS.

When these officials are placed in temporary charge of agencies and schools, as they frequently are, their duties and responsibilities are the same as those of superintendents. When detailed to make large per capita payments to Indians they are put under special bonds for that particular purpose. At other times they are traveling from place to place making inspections and investigations, and handle practically no funds except for payment of their salaries and traveling and incidental expenses.

SCHOOL SUPERVISORS.

The duties and responsibilities of these officials are practically the same as those of special Indian agents.

SPECIAL ALLOTING AGENTS.

These officials handle no money at all except what is advanced to them from the Treasury for payment of salaries and other expenses incident to the work of allotting lands to Indians.

COMMISSIONERS, APPRAISERS, SURVEYORS, ENGINEERS, AND OTHER SIMILAR OFFICIALS WHEN DESIGNATED AS SPECIAL DISBURSING AGENTS.

Liability practically the same as that of allotting agents.

INDIAN INSPECTORS.

There are only two of these, both of whom are irrigation engineers and may be classed with commissioners, etc.

SPECIAL INDIAN AGENTS AND SCHOOL SUPERVISORS WHEN REQUIRED TO GIVE SPECIAL BONDS FOR PURPOSES OF MAKING LARGE PER CAPITA PAYMENTS TO INDIANS.

Such payments are usually completed and an accounting made within a few months after the execution of the bond. The only funds handled are those advanced to the disbursing officer for payment to the Indians.

CLERKS DETAILED FROM INDIAN OFFICE FOR SPECIAL INVESTIGATIONS IN THE FIELD.

Such details last usually a few weeks but may, in some instances, continue for several months. The only funds handled are for payment of traveling expenses.

With very rare exceptions payments are made by all disbursing officers by official checks drawn on a United States depository, which checks are transmitted by the depositories to the accounting officers of the Treasury Department and there used in connection with the audit of the disbursing officer's account. All disbursing officers are required to render quarterly accounts of receipts and disbursements, to furnish financial statements at least once a month, and to deposit the unexpended balance of public funds on hand at the close of each fiscal year. Although not inspected regularly, at stated intervals, their books and accounts are open to examination and liable to be checked up at any time by a special agent, a school supervisor, or a clerk detailed for the purpose from this office.

As the rates of premium now asked, in some cases at least, are believed to be out of all proportion to the risk involved, the various companies authorized to do business with the department are invited to submit new bids, based on the foregoing information and under the conditions hereinafter set forth, viz:

1. Each bond shall be awarded to the company offering the lowest rate of premium on bonds of its class, other things being equal. Should the terms of one or more companies be equally favorable, the bond shall be awarded by lot, except as provided in article 2.

2. When an official is required to file a new bond without a change of position, the new bond shall be awarded to the company which qualified as surety on the old one, provided the terms offered are as favorable as can be obtained from another company. Under the same conditions, when a change of disbursing officers occurs, the company on the bond of the outgoing official shall be awarded the bond of his successor.

3. Bonds awarded are to be executed promptly. Any undue delay will result in the withdrawal of the bond and its award to another company.

4. No company can be accepted as sole surety on a bond the penalty of which exceeds 10 per cent of the capital stock and surplus of the company. Two or more companies, however, may be accepted as joint sureties on a bond, provided their combined capital stock and surplus equals or exceeds the penal sum of the bond.

5. Companies desiring to bid on bonds in excess of their qualifying power must do so jointly with one or more other companies.

6. The annual rate of premium at which a bond is awarded shall remain the same during the life of the bond.

7. Upon the termination of the liability under a bond, credit shall be claimed by the Indian Office and allowed by the company for the amount of unearned premium, computed by prorating the annual premium for the unexpired portion of the year for which payment has been made: *Provided*, That no rebate shall be claimed or allowed which would reduce the premium on the bond to less than \$5. This shall apply to bonds now and heretofore in force, as well as to those executed hereafter.

8. Bids are not to be submitted for a limited time, but to hold good until withdrawn or modified.

9. The right is reserved to reject any bid deemed unsatisfactory, and to refuse to do business with any company which is unwilling to abide by these rules.

10. All former rules and regulations in conflict with these are hereby revoked.

If you wish to file a bid, please do so at once and state specifically that it is submitted on the conditions and subject to the rules set forth in this communication. Although the bids received will not be regarded in any sense as confidential, the office recognizes no obligation to divulge information concerning a bid submitted by one company to a representative of another.

Very respectfully,

C. F. HAUKE, *Chief Clerk.*

(Sent to Fidelity and Casualty Co., Massachusetts Bonding and Insurance Co., American Surety Co., United States Fidelity and Guaranty Co., Aetna Indemnity Co., Title Guaranty and Surety Co., United States Guaranty Co., Fidelity and Deposit

Co., United Surety Co., National Surety Co., Illinois Surety Co., Federal Union Surety Co., Empire State Surety Co., Bankers' Surety Co., American Bonding Co., American Fidelity Co., Pennsylvania Surety Co., People's Surety Co., Commerce Trust Co., Pacific Surety Co. of California, Citizens' Trust and Guaranty Co. of West Virginia.)

NAVY DEPARTMENT,
BUREAU OF SUPPLIES AND ACCOUNTS,
Washington, D. C., April 30, 1909.

DEAR SIR: 1. Replying to your letter asking me if I have in my possession any data "showing the rates paid to surety companies" by paymasters of the navy and "a record of defalcations and the amount paid to the Government to indemnify it for such losses:"

2. I beg to say that almost all pay officers of the navy give, for the bond required of them by law, corporate sureties, and very few of them, and most of those assistant paymasters who recently entered the service, give private sureties. The premiums charged have come down in fifteen years from about \$5 a thousand to 75 cents per thousand, though some surety companies still charge \$1 per thousand per annum.

3. Within ten years three suits have been entered by the Government, which are now pending. One against the sureties of Assistant Paymaster Deering (who was dismissed from the navy) for a loss of \$2,200—\$1,700 for shortage in stores and \$500 for a cash shortage in the accounts of the general mess on the U. S. S. *Dolphin*. His family refused to meet that amount, and the Government is now suing his bondsmen for it. The Government has entered suit against the bondsmen of Pay Director Lawrence G. Boggs for \$10,000 and against the bondsmen of Pay Director S. R. Colhoun for about \$7,500, but in all probability these suits will never come to trial. The defalcation covered by these amounts was by a paymaster's clerk named Costelloe, who was arrested, found guilty, and served five years in the penitentiary of the State of New York in consequence of this defalcation. No whisper against the integrity of the pay officers was ever made. They brought suit in the Court of Claims, asking to be acquitted of responsibility, on the ground that they were without fault or negligence, and the decision of that court was against them. Suit was entered merely as a matter of formality to comply with the statute of limitation, which requires the Government to enter suit within five years from the date of defalcation. There is no doubt that these sums will be met by the officers themselves, unless they are relieved by act of Congress, which they possibly may ask for.

4. Summing up, therefore, it may be said that there have been no defalcations within ten years which have caused any loss to the Government, and that the Deering case above mentioned is the only one where loss may ensue to the Government in case of a decision against it.

5. Hoping that this supplies the information you want, I am,
Yours, respectfully,

E. B. ROGERS,
Paymaster-General, U. S. Navy.

HON. JAMES A. TAWNEY,
*Chairman Committee on Appropriations,
House of Representatives, Washington, D. C.*

HEARINGS WITH REFERENCE TO CERTAIN ESTIMATES TO BE
CONSIDERED IN CONNECTION WITH THE PREPARATION OF
AN URGENT DEFICIENCY BILL.

JULY 1, 1909.

EXPOSITION AT BRUSSELS, BELGIUM, 1910.

STATEMENT OF PROF. J. H. GORE, OF THE GEORGE WASHINGTON
UNIVERSITY, WASHINGTON, D. C.

Mr. TAWNEY. Professor Gore, we have here, from the State Department, near the bottom of page 2 of the bill, an estimate to enable the United States to accept the invitation extended by the Government of Belgium, and to participate fittingly in the exposition to be held at Brussels in 1910, \$200,000. I understand that you have served as commissioner-general under authority of the United States at previous expositions held in Belgium. Is that true?

Professor GORE. Yes, sir; at Antwerp in 1894; at Brussels in 1897, and at Liege in 1905. At Antwerp we had no appropriation. At Brussels we had an appropriation of \$5,000. At Liege, \$5,000

Mr. KEIFER. Those were on separate years?

Professor GORE. Yes, sir.

Mr. TAWNEY. The Brussels Exposition was in 1897. Was there an appropriation for the exposition at Liege in 1905?

Professor GORE. Yes, sir; \$5,000.

Mr. TAWNEY. Are you familiar with the extent and character of the proposed exposition at Brussels in 1910?

Professor GORE. Yes, sir; I have studied the programme carefully. I visited the grounds last summer when there. It will be an exposition, I think, about the size of the Atlanta Exposition of 1895.

Mr. TAWNEY. Will it cover about the same area?

Professor GORE. The ground will cover an area of about 180 acres.

Mr. TAWNEY. To what extent are foreign nations to participate?

Professor GORE. I think nearly all foreign nations are participating.

Mr. TAWNEY. What is the character of the participation?

Professor GORE. Germany, especially machinery—that is, all the machinery that will be used in the Kongo will be bought by Belgian gentlemen, and all of the makers of machinery are exceedingly anxious to place their machinery before the Belgian people. Consequently Germany and England are making large exhibits of machinery.

Mr. TAWNEY. Please explain what participation has already been provided for by American exhibitors.

Professor GORE. About the middle of March, when it was seen that no appropriation would be made by the last Congress, the executive

committee of the Brussels Exposition wrote to me, because of my interest in Belgium and my familiarity with American exhibitors, to organize a United States section. I volunteered my service, or accepted the proposition, and have given them my services continuously since that time. I asked them to reserve for us absolutely 1,500 square meters, about 16,000 square feet, in Industrial Hall, and 1,000 square meters, about 11,000 square feet, in Machinery Hall, and to give me, in the interest of our exhibitors, an option until the 1st of December upon 1,000 more square meters in the two sections.

Mr. TAWNEY. The 1st of December, 1909?

Professor GORE. Yes, sir; because I was uncertain as to how many manufacturers might be induced to exhibit, and especially as there was a charge for space of 30 francs per square meter, and whoever had charge of the matter would be obliged to give aisles and sell the rest of the space in the hope of coming out even. They assigned the space requested absolutely, but refused to give any option until the 1st of December, saying that there was such a demand for the space, and the amount that they had was so little, that it would be impossible to give it. However, I proceeded to write personal letters to 1,100 manufacturers of the United States, giving a detailed account of the scope and character of the exposition. All of these manufacturers, knowing the interest that I have had in expositions, because I believe in extending foreign trade, and have been commissioner-general five times with that in view, listened patiently, and read the letters I addressed to them. Out of the 1,100 to whom I wrote these personal letters, I have had replies, I presume, from about 200 of the total number. I have all of the correspondence in my room and could have brought it with me. But I will say that the replies are of this character: The great proportion of these manufacturers say that they are so busy with their domestic trade that it is impossible for them to handle a foreign trade in case they should create it. That is the answer of the majority. There are a few, perhaps 60 or 70 people, manufacturers, who are engaged in the foreign trade, and who say that their entire foreign business is in the hands of agents, and as participating in an exposition is in the nature of advertising, therefore the agents abroad must take care of that. So the agents abroad are expected to exhibit if the agents deem it wise to do so.

There are two very large agencies abroad for handling American machinery. Fenwick Brothers, of Paris, and Schutte & Co., with headquarters in Brussels. They engaged practically the entire section that we have for machinery, about 1,000 square meters, in which they will install the exhibits and the machinery of the different people whom they represent abroad. There will be no exhibitor of machinery who will go to Brussels on his own responsibility, because his foreign business is in the hands of those agents, so that no appropriation we can make would be of any assistance to them. In the case of the manufacturer, there are not more than a dozen manufacturers who will exhibit. The Starr Piano Company is considering it. The Schieren Company, makers of leather, will exhibit, they having already taken space. A number of men who manufacture small articles that can be offered for sale will exhibit, because the Belgians are fond of buying little things. So that that will make up the bulk of the exhibit under the present auspices.

Personally, I do not believe a dozen manufacturers could be induced to go to the Brussels Exposition under any circumstances, however favorable we might make them.

Mr. TAWNEY. What was the character of the exhibit, if any, in the last Brussels Exposition in 1897?

Professor GORE. We had a very excellent exhibit of machinery.

Mr. KEIFER. What class of machinery?

Professor GORE. What we call machine tools. Pratt & Whitney had a fine exhibit. Brown & Sharpe had a good exhibit. The Cincinnati Shaper Company, the Morse Twist Drill Company, all makers of that general class, and several others.

Mr. TAWNEY. Was there any distinctively government exhibit in 1897?

Professor GORE. No, sir; not at all.

Mr. TAWNEY. Has there been any government exhibit at any of these similar expositions at which you have represented the Government as commissioner-general?

Professor GORE. No, sir.

Mr. TAWNEY. In what respect did the Government, as a Government, participate in those expositions?

Professor GORE. Not at all. One or two bureaus sent over some of their publications for the science section at the Brussels Exposition. The Bureau of Labor sent a complete set of its reports, and the National Museum and the Fish Commission sent over reports for this science section, as it is called.

Mr. LIVINGSTON. You were commissioner-general?

Professor GORE. Yes, sir.

Mr. LIVINGSTON. In that way you were attached to the Government?

Professor GORE. But the Government did not make any exhibit of its activities.

Mr. TAWNEY. You, being familiar with the exposition of 1897, how does the one for 1910 compare in size with the one at Brussels in 1897?

Professor GORE. The grounds are larger, and they are located farther from the center of the city. In 1897 they were almost in the heart of the city, but that part has recently been improved so much that they can not hold the exposition there, so they have gone outside of the city and have large grounds there. What the buildings will be in size, in comparison with 1897, I will say that I do not think they will be any larger.

Mr. SMITH. What governments have buildings in contemplation?

Professor GORE. So far as I know, Holland is the only one. I assume that Canada will have a building, because Canada has been taking a very active part in all European expositions since 1895. Canada has had a standing commission going from one country to another, usually putting up a separate building in which to show the agricultural, mineral, and the various resources of Canada, to attract immigration. If there are other countries contemplating buildings I do not know of them.

Mr. SMITH. Is there any difficulty in getting sites for buildings, or would there be with that area?

Professor GORE. I think not. I think we would have no difficulty in securing a site. I do not think it feasible to have a separate building for this reason: The Belgian is, above all, a clever buyer.

Before making a purchase the Belgian wishes to see, if possible, all types of machinery or article that he contemplates buying. He likes to see them in operation side by side. He would rather go into machinery hall, where all the countries are exhibiting, so that he can examine the English and the German machinery, say, and compare with the American machinery. Our exhibitors would rather have their machinery exhibited in the general machinery hall than to have a separate building.

Mr. SMITH. I did not mean to suggest having an American building of such magnitude as that, but should the Government wish to make a modest governmental exhibit.

Professor GORE. That would be possible.

Mr. SMITH. And then should wish to also have a headquarters building. There would be no trouble in getting a site for that, would there?

Professor GORE. I assume that we would have no difficulty at all.

Mr. SMITH. It has been the practice, has it, for the Government to erect buildings in which to give the manufacturers space?

Professor GORE. Not our Government, but others. They tried hard at St. Louis to prevent the installation in the government buildings of exhibits competing for awards. But it seems that that rule may fall down frequently.

Mr. KEIFER. You spoke of the large correspondence that you have had with manufacturers. Did you find any disposition on the part of manufacturers of agricultural or farm machinery to make an exhibit there?

Professor GORE. No, sir. We can not induce a single maker of agricultural machinery to go abroad, nor can we induce a single maker of automobiles to do so. The agricultural people have an agreement that one will not exhibit unless all. The International Harvester Company are the best friends I have in the world. Mr. McCormick and I are friends. They put up a factory at Lille, in France, just over the border, and I asked them to make an exhibit of their products because they are going to be near neighbors of the Belgians, but they declined. I have written the Syracuse Plow Company, the Deere Plow Company, the Buckeye people—not in the trust—Colonel Blount; and all those people whom I know personally—

Mr. KEIFER. The Walter A. Wood Company?

Professor GORE. No; nor the Adriance Platt Company, nor the Plymouth Cordage people. They all say no. If we relied upon the Belgian builders to put up a building, we could not have one erected for the exposition, because they have to stop four times a day for lunch. It took us over two years, at Antwerp, to put up a building, and it was put up by a private corporation.

Mr. TAWNEY. Brussels had an exposition in 1888. You attended that exposition, did you not?

Professor GORE. Yes, sir; and one at Antwerp in 1884.

Mr. TAWNEY. As to that exposition, we authorized the acceptance of the invitation of the Belgians, and authorized the appropriation of \$30,000, or so much thereof as might be necessary to effect that purpose, to be expended in the discretion of the Secretary of State for the purpose of such representation at the exposition. What was the nature of the representation?

Professor GORE. I can not recollect that. I simply visited it before I was interested in expositions.

Mr. TAWNEY. At how many foreign expositions have you represented the Government as commissioner-general?

Professor GORE. Four.

Mr. TAWNEY. Have we made distinctively a government exhibit of the functions of our country?

Professor GORE. No, sir; at none of them. I was juror in chief at the Paris Exposition in 1900, and member of the superior jury, and was finally selected by President Loubet to be the foreign representative on the court of appeals—even there we did not have an exhibit showing the functions of our Government.

Mr. TAWNEY. This is the fourth exposition Belgium has had since 1837?

Professor GORE. Yes, sir. The Belgians make money out of their expositions, and that is the reason they have them so frequently. They have never cleared less than 12 per cent upon their investments. They are money-making enterprises. They raise the capital and put it under the patronage of the Government, and make whatever they can out of it, and, as I say, they have never cleared less than 12 per cent on their investment. The profits are frequently divided with charitable institutions.

Mr. TAWNEY. Is this exposition at Brussels in 1910 one that is authorized by the Belgian Government?

Professor GORE. Under their patronage.

Mr. TAWNEY. What do you mean by that?

Professor GORE. The Government, you might say, gives it official recognition.

Mr. TAWNEY. Do they appropriate any money?

Professor GORE. They appropriate some money for a strictly Belgian exhibit, which is in a building by itself.

Mr. KEIFER. But it is a private corporation, in a sense, that runs it?

Professor GORE. Yes, sir. The only function of a foreign exposition is to extend trade, and for that reason I have never taken any interest in the Government showing its activities.

Mr. TAWNEY. Have you a diagram of the grounds with you?

Professor GORE. No; I have not.

The Belgians' great prosperity comes from handling goods. There are more goods shipped through Belgium per capita than any other country in the world. That is the chief source of their income. The more they import from the United States in transit the happier they are; consequently they are more interested in drawing trade through Belgium than anything in this country.

Mr. TAWNEY. What are our exports to Belgium for local consumption?

Professor GORE. Chiefly foodstuffs and small machinery. They use a large amount of machine tools.

Mr. TAWNEY. Our chief export is flour, is it not?

Professor GORE. Yes, and some grain for beer.

Mr. TAWNEY. But principally wheat and machinery?

Professor GORE. Yes, sir.

Mr. BURLESON. I will say that considerable cotton goes to Belgium also, for consumption.

Professor GORE. When I tried to interest the largest manufacturer of agricultural machinery to take part in one of the foreign expositions on the ground that it would assist him in finding markets, he replied that he did not believe that there was a man, woman, or child who needed a harvester who did not have one brought to his front door and set down at his gate and asked to buy it.

Mr. SMITH. Farming is on a comparatively small scale in Belgium; that is, under the individual farmer, and our machinery would hardly be adapted to that use?

Professor GORE. Yes. I referred to Roumania, which is the largest wheat-growing country in southern Europe.

Mr. TAWNEY. Do I understand that you have already engaged, as a representative of the American manufacturers, all the space in the buildings now provided for by the Belgian Exposition Company that is available for American exhibits?

Professor GORE. Yes, sir; that is correct.

Mr. TAWNEY. And that you tried to obtain an option on additional space, and that request was denied?

Professor GORE. Yes, sir.

Mr. TAWNEY. So that the only way we could participate beyond the participation that is now provided for by the manufacturers themselves would be to secure space within the grounds of the exposition and erect our own building?

Professor GORE. Yes, sir.

Mr. TAWNEY. Have you any idea what a pavilion erected over there, such as the Belgian Government had at St. Louis, would cost?

Professor GORE. I think that building would cost at least \$100,000. It was a very fine building that the Belgians had at St. Louis, and it took about two years to build it.

Mr. TAWNEY. The Belgian producer, as well as the Belgian Government, exhibited in that building?

Professor GORE. Chiefly the Government. There were some Belgian exhibits, but the exhibition rules at St. Louis refused to admit any exhibits that were entered in competition within the government building. In other words, every article that was put in the government building was placed out of competition by that act.

Mr. TAWNEY. What was the nature or the character of the Belgian exhibit made by the Belgian Government at St. Louis?

Professor GORE. It was in a large measure educational; and also exhibits of the government docks at Antwerp. There were also a large number of statistical charts showing various international organizations that were created, or were born, so to speak, in Belgium. But the educational exhibit was the principal one.

Mr. TAWNEY. What was the particular reason for making an extensive educational exhibit?

Professor GORE. The Liberal party in Belgium the year before had accused the Government of having poor educational methods, and that the schools had deteriorated very much under the existing Government, and so the Government wished to contradict and to correct that, as they thought, false impression. So they sent a very large educational exhibit over here, putting it under the hands of the Assistant Secretary of the Interior, Mr. Van Overbrugh. He sent over the best scientists, and I assisted him all I could in obtaining a large number of jurors for the educational exhibits, because they thought

by securing a large number of high awards for their educational exhibits, it would be the best answer that could be made to the criticism by the Liberal party against the Belgian administration of the Government.

Mr. KEIFER. You have spoken of the reservation that has already been made. I understood you to say that parties with whom you have been in correspondence have taken up substantially all of the space already for machinery, so that there would be probably no chance of enlarging that if we wanted to.

Professor GORE. No, sir. I personally would be happy if we could fill it, because there are always some withdrawals and rearrangements. I would be glad in my private capacity in what you might say as contractor to have every foot of the space taken.

Mr. SMITH. You engaged distinctly manufacturing and machinery space. Are there no buildings for any exhibits outside of those lines?

Professor GORE. Only one, for transportation, and that is completely filled and can not be extended.

Mr. SMITH. It is exclusively an exhibition of industrial arts?

Professor GORE. Yes, sir. There is only one building in fact, with a lateral wing for machinery.

Mr. SMITH. And then the Belgian government building, so that the only building in which space can be obtained for any exhibit is this one building with its wing?

Professor GORE. Yes. The main building is Industrial Hall, and a wing part is called Machinery Hall. The Belgians are very clever. They put up a handsome front, and run the building back, like a train shed, just as far as the demands of the exhibits require.

Mr. SMITH. It is a pretty large building, there being only one?

Professor GORE. Yes, sir; but not so large as the Agricultural Building at St. Louis.

Mr. SMITH. That was the largest exposition building ever built, was it not?

Professor GORE. Yes; covering 15 acres. I should assume that this building at Brussels would cover about 4 acres.

UNITED STATES SECTION,
INTERNATIONAL EXPOSITION, BRUSSELS, 1910,
Washington, D. C., July 5, 1909.

MY DEAR MR. TAWNEY: I would respectfully suggest that in case you decide to recommend an appropriation for the Brussels Exposition that the provision be included "to enable the Department of State, through its commission, to make an exhibit of the activities of the Government of the United States." This would limit the expenditures, avoid the invidious aiding of certain manufacturers who would send their exhibits anyway, and avoid all complications that might arise owing to the contracts that the officials of the exposition have made with me.

If I should be so fortunate as to be a member of the commission there would be no difficulty, while if I should not be so designated, I could carry out my part of the contract without disturbing the commission in the discharge of its prescribed duties.

Such a government exhibit could be quickly assembled after the close of the Seattle Exposition, while the time is too short to bring about an effective cooperation with the private manufacturers.

Kindly pardon this intrusion.

I have the honor to be, Mr. Chairman, your obedient servant,

J. H. GORE.

EXECUTIVE OFFICE BUILDING.

ADDITION TO THE OFFICE OF THE PRESIDENT.

[Memorandum prepared by officer in charge of public buildings and grounds.]

The sundry civil act approved March 4, 1909, makes an appropriation of \$40,000 "for additional accommodations to the building erected for the offices of the President, and for each and every purpose connected therewith," including heating apparatus, light fixtures, and furniture. It is specifically provided in the act that the addition shall be "completed in every respect within the sum hereby appropriated."

Under instructions from the President, and after a thorough study of the subject and careful consideration of a number of different plans, detailed plans and estimates for the addition have been prepared by Mr. N. C. Wyeth, architect, under the direction of the officer in charge of public buildings and grounds.

The facilities of the present office building of the President are utterly inadequate, and the plans as drawn provide the additional accommodations which are believed to be essential to the proper carrying on of the business of the office. These include a larger and more dignified room for the President's office, separate waiting rooms for congressional visitors and for the general public in addition to the present lobby, a larger telegraph office, another room for clerks, and additional toilet rooms, besides a number of minor improvements. All of these are provided by extending the present building 45 feet to the rear over the tennis court. The addition will be one story in height and of brick, and has been designed along the simplest possible lines for the purpose it is to serve. No unnecessary extravagance or elaboration of any kind has, it is believed, been indulged in.

In spite of the effort made to keep down the cost of the addition it has been found impossible to keep it within the limits of the appropriation and at the same time provide adequately the accommodations considered absolutely essential. The total estimated cost of the addition as planned is \$53,500.

In order that the work may be done this summer during the absence of the President, and in time to have the office ready for occupancy next fall, it is necessary that an additional appropriation of \$13,500 be secured at this session of Congress.

Estimate of cost.

Construction of addition, including necessary alterations to present building.	\$34, 500
Heating and ventilating system.....	3, 000
Lighting fixtures.....	3, 000
Furniture.....	7, 000
Architect's fee.....	3, 000
Superintendence, inspection, plans, and sundry expenses.....	3, 000

53, 500

SPENCER COSBY.

OFFICE OF PUBLIC BUILDINGS AND GROUNDS,

Washington, June 18, 1909.

Mr. J. C. COURTS,

*Clerk Committee on Appropriations,**House of Representatives.*

SIR: I inclose herewith copies of the memoranda about which I spoke to Mr. Tawney this morning.

Respectfully,

SPENCER COSBY,

Colonel, U. S. Army.

The President has requested that special arrangements be made to give thorough ventilation to his office rooms. To accomplish this I have increased the estimate for the building by \$500.

S. C.

TREASURY DEPARTMENT.

TREASURY BUILDING.

STATEMENT OF MR. JAMES K. TAYLOR, SUPERVISING ARCHITECT.

Mr. TAWNEY. We have received from the Secretary of the Treasury a communication which recommends that the unexpended balances remaining on the books of the Treasury Department on June 30, 1909, to the credit of the following appropriations: Treasury building, Washington, D. C., special repairs, \$12,284.29; repair of east front, \$10,000, and buildings, Bureau of Engraving and Printing, \$35,298.60, be reappropriated for certain improvements in the Treasury building. These balances were turned into the Treasury on yesterday?

Mr. TAYLOR. Yes, sir.

Mr. TAWNEY. You ask for a specific appropriation for the purpose of making these repairs. What are the repairs that you propose and what is the estimate of their cost?

Mr. TAYLOR. This plan [indicating] will show the repairs which we propose to make. At present only the rooms are habitable that are around the inside court, right there [indicating], and they have always been used as file rooms and they are not in good condition; they are in very bad condition.

Mr. TAWNEY. What floor is that on?

Mr. TAYLOR. The attic under the roof. Here [indicating] the roof slopes so it is only 3 feet above the inside wall, there [indicating] and here [indicating]. What the department wants to do is to take the roof off [indicating] here [indicating] and there [indicating], and put in an attic story back of the rail.

Mr. KEIFER. You intend to raise the roof?

Mr. TAYLOR. Yes, sir; and make an attic story just as there is on the Agricultural building. It is back of the rail and will not be seen, but will give more room.

Mr. TAWNEY. What is the height?

Mr. TAYLOR. About 11 feet 6 inches here [indicating] and about 12 feet here [indicating]. It would be about 11 feet.

Mr. KEIFER. Is that the present height?

Mr. TAYLOR. Inside the building there [indicating], but it is about 12 feet there [indicating].

Mr. BURLERSON. It will not be seen above the roof?

Mr. TAYLOR. No, sir. It will just show that much [indicating].

Mr. TAWNEY. It will not affect the architectural design of the building?

Mr. TAYLOR. Not at all. That view is taken from the corner of the Regent Hotel and actually laid out so it shows just exactly what is seen there.

Mr. SMITH. This does not cover the entire area of the building?

Mr. TAYLOR. No, sir; just the south side and part of the west side. In the future they could do it here [indicating] and along the north side, but not along the east side on account of the differences in the level of the floors.

Mr. BURLERSON. But it could be done on this side [indicating]?

Mr. TAYLOR. Yes, sir.

Mr. TAWNEY. What is the necessity for this improvement?

Mr. TAYLOR. It is an absolute necessity for our office to be all on one floor or very near together, so that the divisions that have to work in harmony will be close in touch with each other.

Mr. SMITH. Do you expect to move your own office up on this attic floor?

Mr. TAYLOR. Yes, sir; the whole outfit.

Mr. KEIFER. Where are you located now?

Mr. TAYLOR. In the basement. The reason for this improvement is that the Secretary of the Treasury, Mr. MacVeagh, wishes to get all his money divisions, such as counting, shipping, and handling of money, together. He says that the logical place for them is right near the point of shipment, which is on the basement floor. He wishes to move us out so that he can put the money counters and that class of people down there, and the only place that can accommodate the large drafting force is the attic floor.

Mr. SMITH. How much do you estimate it will cost?

Mr. TAYLOR. About \$40,000.

Mr. KEIFER. These unexpended balances amount to how much?

Mr. TAYLOR. About \$57,000. We simply put those in because there will be other changes necessary when they find out what they want to take care of--the people in the Secretary's office. Those balances were turned in yesterday. We have made an estimate of the approximate cost--it could not be exact, and it may come to a little less, but as near as you can estimate it, it will cost \$40,000, as I figured it on this sheet, which I will leave with you.

(The statement referred to by Mr. Taylor follows:)

TREASURY DEPARTMENT,
OFFICE OF THE SUPERVISING ARCHITECT,
June 30, 1909.

Estimate for the construction of the office of the Supervising Architect in the attic of the Treasury building.

Removing old roof construction at west and south sides.....	\$660
Fireproof partitions, including steel framing, terra-cotta fill, and plastering 2 sides.....	5,460
Fireproof ceilings, including metal furring and lathing and plastering.....	1,820
Fireproof roof.....	3,300
Tin roofing and galvanized iron cornices.....	1,360
Finished flooring (new throughout), windows, doors, and interior finish for the new portion of the office.....	7,200
Oiling floors and painting walls, ceilings, and woodwork throughout.....	*2,000

Plumbing.....	*\$8,000
Heating (new portion of office).....	1,500
Conduits and wiring (new throughout) (\$1,500).....	*2,500
Minor alterations and repairs, including heating and ventilating of the old portion of offices.....	*5,500
Contingencies.....	*2,700
	40,000

Items checked thus (*), including \$1,500 of the \$2,500 allowed for "conduits and wiring," are for changes and alterations in rooms already existing; in all approximately \$15,000. The balance, i. e., \$25,000 is for new construction, to provide additional room.

Mr. KEIFER. Forty thousand dollars will complete the work?

Mr. TAYLOR. Yes, sir.

Mr. TAWNEY. This change will result in giving the whole of that floor for your office?

Mr. TAYLOR. The whole of the floor except the north end.

Mr. KEIFER. But the whole of the floor which you will improve?

Mr. TAYLOR. Yes, sir; and it will enable us to get all of our offices on that floor.

Mr. TAWNEY. What other change in the location of the employees of the department will be made as a result of this improvement?

Mr. TAYLOR. The entire money counting, paper counting, and all the handling of money will be taken down to the basement floor, so that they will be next to the shipping point, incoming and outgoing.

Mr. KEIFER. Will there be any changes required down there?

Mr. TAYLOR. There probably will be some changes, but they do not now know what they want.

Mr. TAWNEY. On how many different floors is there money counting and the storage of distinctive paper?

Mr. TAYLOR. It starts at the subbasement and goes up to the third floor and on each of the floors between.

Mr. TAWNEY. This change will concentrate all the money handling on one floor?

Mr. TAYLOR. Yes, sir; and it will be guarded, so that visitors and outsiders will not be next to those places, particularly where they do the counting.

Mr. TAWNEY. Resulting in greater security?

Mr. TAYLOR. Yes, sir; and saving a great deal of loss. I understand there is more or less loss every week now.

Mr. KEIFER. How?

Mr. TAYLOR. They have to move the money so far—move it from one floor to another and through different offices. They can not keep the same check on it that they can by this system, which will be more like a bank where the money has to go in one place. There are eight entrances to the Treasury Department, and there is no way of guarding it and keeping outsiders from coming into the office.

Mr. KEIFER. Is there any danger in the way they have been carrying on the business?

Mr. TAYLOR. There is always danger where you have not the money guarded so that they can not get at it.

Mr. BURLESON. What is in the north end of the building on the fourth floor?

Mr. TAYLOR. There are files all around on the outside. That is not lighted except by skylight. The series of three offices in there

[indicating] are not very well lighted. This space [indicating] is occupied by the Internal-Revenue Bureau. The library of the Treasury is there [indicating], and the old carpet room [indicating], where they made the carpets, and in there [indicating] is the internal-revenue laboratory. In there [indicating] was the old printing office, and in there [indicating] was the bindery.

Mr. BURLESON. How many libraries have they in the Treasury?

Mr. TAYLOR. Only two. Our own office library and the general library of the department.

Mr. SMITH. The printing office has been abolished?

Mr. TAYLOR. Yes, sir; and taken out, and the bindery has been ordered out.

Mr. SMITH. Will this change by vacating your rooms down below leave any additional room in the Treasury, or are there things which will have to be moved out of the attic which will absorb the rooms vacated downstairs?

Mr. TAYLOR. They have already moved the third auditor out of the department and also the Auditor for the Navy Department, and they are going to take his files and put them with him in the Union Building.

Mr. SMITH. Normally, if you moved upstairs, in the attic, and vacated your old quarters in the basement and they would turn them over to this money part of the work, that would leave a considerable space on other floors vacant?

Mr. TAYLOR. Yes, sir.

Mr. SMITH. And there will be a net gain on the various floors above the basement in all the places you have heretofore occupied?

Mr. TAYLOR. Yes, sir; about 30,000 square feet.

Mr. BURLESON. If the same character of improvements which you contemplate on the south and west were made on this side [indicating], there would be still more room in the department?

Mr. TAYLOR. Yes, sir.

Mr. KEIFER. How is the attic occupied now?

Mr. TAYLOR. The printing office occupied this wing [indicating]. That has gone to the Government Printing Office. The general library of the department occupies the space there [indicating] and that is to be taken out and the books necessary to keep sent over to the Congressional Library and the rest dispersed. Next to that is the carpet-making room where they made all the carpets for the different buildings all around the country. That has been done away with and the carpets are being made in another way. Here [indicating] is the laboratory for the Internal-Revenue Bureau, which, I understand, is to be consolidated with some other bureau, the Bureau of Chemistry, I think. Here [indicating] is the bindery, and that is going to be taken out. The files of the Internal-Revenue Bureau which have been transferred reach back there [indicating]. This room in here [indicating] has been occupied by some of the minor bureaus temporarily. They have been taken out. I think it was the Auditor for the Navy Department and some other branch. His files were also in here [indicating] and they have been taken out to the Union Building.

Mr. LIVINGSTON. How long will it be before you will have to have some more space?

Mr. TAYLOR. That will depend entirely on you gentlemen.

Mr. BURLESON. The contemplated improvements will make the rooms comfortable and habitable?

Mr. TAYLOR. Yes, sir; they will be good rooms. Somebody objected to them, and I said, "I will take one of them to prove that they are good rooms."

Mr. SMITH. Will they be fireproof?

Mr. TAYLOR. Absolutely fireproof.

Mr. TAWNEY. How much additional space available for offices will this add to the building?

Mr. TAYLOR. Five thousand four hundred square feet; that is, new space. All of it brings it up to about 30,000 square feet.

Mr. SMITH. How much space will you vacate in the basement?

Mr. TAYLOR. Thirty-three thousand square feet.

Mr. BURLESON. How much additional floor space would you have if you improved the north side?

Mr. TAYLOR. Just as much as you have here, 5,500 square feet.

Mr. BURLESON. You can secure just the same amount of floor space on the north and west sides as on the south?

Mr. TAYLOR. Yes; but you can not put anything on the east side because the floor levels are different.

Mr. BURLESON. And at substantially the same cost?

Mr. TAYLOR. No; it would be but \$25,000, because \$25,000 covers this new additional work and \$15,000 is to put in new plumbing and repairs in the old part used for the files.

Mr. BURLESON. Do you not think it would be well to do it all at the same time?

Mr. TAYLOR. No, sir.

Mr. TAWNEY. Would there be any economy in doing it at the same time?

Mr. TAYLOR. There would not be a particle of difference.

Mr. BURLESON. Would it not look better?

Mr. TAYLOR. No, sir; I do not think so. The Treasury at the south end is more above the ground and you do not get the same view here as on the north end where the street comes above it. I am not sure it would look so well at the north end. You get a better view as you come down the hill.

Mr. SMITH. The attic story would show much worse above the rail on the north side?

Mr. TAYLOR. Yes, sir; the top of the cornice of this attic story only comes 2 feet 8 inches above the top of the rail on the outside of the building.

Mr. KEIFER. Will it have a mansard roof?

Mr. TAYLOR. No, sir; I do not know of any building here that has a mansard roof.

Mr. SMITH. How about the New York custom-house?

Mr. TAYLOR. That is a little exaggerated. This does not change the appearance of the building at all.

Mr. KEIFER. A mansard roof slopes?

Mr. TAYLOR. Yes, sir. This will be straight and set 4 or 5 feet back of the rail.

RENT OF VAULTS.

Mr. TAWNEY. Do you know anything about the item for the rent of the Union Trust Company's vault?

Mr. TAYLOR. No, sir; I only know it was done.

Mr. TAWNEY. Do you know whether the new vaults in the Treasury are ready?

Mr. TAYLOR. They are in use.

Mr. TAWNEY. Then you are no longer using the vaults of the Union Trust Company?

Mr. TAYLOR. No, sir; you have \$500,000,000 stored away in the basement of the Treasury. The vaults were finished on the 1st of June, 1909.

WEST POINT (MISS.) PUBLIC BUILDING.

HOUSE OF REPRESENTATIVES,
Washington, D. C., April 29, 1909.

HON. JAMES A. TAWNEY,
House of Representatives, Washington, D. C.

MY DEAR SIR: Complying with my promise to you in my personal interview yesterday, I am writing to you in reference to the federal building at West Point, Miss. I am inclosing you a letter which I told you the Treasury Department would write me to-day. I have just received a copy of the letter and am inclosing you a copy as agreed.

You will note from this letter that the first appropriation of \$5,000 was thought to be sufficient to purchase a lot, and it seems that the Committee on Public Buildings and Grounds as well as the Committee on Appropriations were laboring under the impression that the \$5,000 had been expended for the lot when they made the appropriation of \$50,000 for the building. But, as you will observe by reading the letter from the Treasury Department, the Government was not able to purchase a desirable lot for \$5,000, but the appropriation of \$50,000, it seems, was made for the building under the impression that the lot had already been secured.

The Supervising Architect states that \$47,500 will build a building adequate for the city of West Point, and asks that \$2,500 of the \$50,000 appropriation be taken and added to the \$5,000 for the purpose of purchasing the lot. This, as you will observe, will not increase the gross appropriation at all, but will simply permit \$7,500 instead of \$5,000 to be paid for the lot, and the building will not exceed in cost \$47,500 instead of \$50,000.

Now, since this matter was inherited by me, and since the matter was not pressed at the last session by my predecessor, I earnestly request that you grant me every assistance that you can in getting through by unanimous consent a proposition so amending the act appropriating \$50,000 for the building as to enable \$2,500 to be added to the amount to be paid for the site.

I saw the Speaker, and he told me that he would have no objection to this matter being taken up by unanimous consent, and advised me to see you, because, he said, "Tawney can help you out in this matter."

Now, I assure you that any assistance you may render me in this matter will be very greatly appreciated not only by me but by the good citizens of the city of West Point.

Thanking you in advance for any courtesy which you may show me in this matter, I beg to remain,

Very truly, yours,

T. U. Sisson,
Member of Congress, Fourth District, Mississippi.

TREASURY DEPARTMENT,
Washington, D. C., February 1, 1909.

CHAIRMAN COMMITTEE ON
PUBLIC BUILDINGS AND GROUNDS,
House of Representatives.

SIR: Since addressing you on the 13th ultimo, in response to your request to be informed of any legislation not requiring an appropriation which should be enacted in a bill to correct errors in the public building act of May 30, 1908, it has been suggested that existing legislation respecting the acquisition of a site and the construction of a federal building at West Point, Miss., should be amended. The situation with respect to that matter is as follows:

The public building act of June 30, 1906, authorized the acquisition of a site at West Point, Miss., at a limit of cost of \$5,000. The property which the department deemed most suitable for the purpose was held at a figure in excess of the limit of cost fixed by the act, and it was reported that it could probably be acquired in condemnation proceedings for not to exceed \$5,000. Condemnation proceedings were instituted, resulting in an award of \$11,000. Those proceedings were in progress when the act of May 30, 1908, was being considered by your committee, and in providing for the building to be erected at West Point the matter was treated as one in which the site had already been acquired. As a consequence, in authorizing the construction of the building at that place the limit of cost fixed in the act of May 30, 1908, was for the building, exclusive of the site, the amount being \$50,000.

Since the award in condemnation above referred to, that attorneys for the owners have offered the property to the United States for the sum of \$7,500, certain citizens having agreed to contribute the difference between that sum and the amount of the award.

It is suggested, if the matter meets with the approval of your committee, that existing legislation respecting the acquisition of the site and the erection of a federal building at West Point be so amended as to authorize the acquisition of a site and the construction thereon of a post-office building, at a total limit of cost of site and building of not to exceed \$55,000. The total amount of the authorization for site and building would not be exceeded, but the limit of cost for both purposes would be merged in one limit of cost, and the department believes that a sufficient amount would remain after paying for the site to construct a suitable building at that place. If the suggested legislation were to be enacted, it would also be necessary to have an appropriation made at the present session of Congress for an amount additional to the \$5,000 already appropriated, to be used in connection therewith, for the acquisition of a site and for the commencement of the building. This, however, can be taken up by this department with the Committee on Appropriations at the proper time.

Respectfully,

GEO. B. CORTELYOU,
Secretary.

QUINCY (ILL.) PUBLIC BUILDING.

TREASURY DEPARTMENT,
OFFICE OF SUPERVISING ARCHITECT,
Washington, April 29, 1909.

HON. GEORGE W. PRINCE,
House of Representatives.

SIR: Referring to the proposed extension of the federal building at Quincy, Ill., I have the honor to transmit herewith for your information a copy of the department letter this day addressed to the chairman of the Committee on Public Buildings and Grounds of the House of Representatives, suggesting the amendment of the public building act of May 30, 1908, so as to make the item for the Quincy extension available also for the acquisition of the necessary addition to the site.

It is not practicable to proceed with this extension until the land is authorized and acquired.

Senator Cullom also has been advised of this situation.

Respectfully,

JAMES P. LOW,
Acting Supervising Architect.

APRIL 29, 1909.

CHAIRMAN COMMITTEE ON
PUBLIC BUILDINGS AND GROUNDS,
House of Representatives.

SIR: Referring to the provision in section 2 of the public building act of May 30, 1908, for the enlargement, extension, remodeling, or improvement of the federal building at Quincy, Ill., at a cost not exceeding \$100,000, attention is invited to the fact that in its report of February 10, 1908, to your committee on the proposed extension of said building, this department stated that it would be necessary to enlarge the site. The above-mentioned provision of law is for the extension of the building only.

The agent sent by the department to the building to see what is the best method for enlarging the building reports that additional land is absolutely necessary to preserve the fire limit required by law, and recommends that the two lots immediately north of the present site be secured.

In view of this situation it is suggested that the difficulty can be overcome by amending the provision of law above referred to so as to add thereto the following:

Provided, That the Secretary of the Treasury be, and he is hereby, authorized, in his discretion, to acquire such additional land by purchase, condemnation, or otherwise as may be necessary for the enlargement of the site of said building.

It is believed that the necessary land can be acquired and the needed extension constructed with the \$100,000 provided by said act of May 30, 1908.

Respectfully,

FRANKLIN MACVEAGH,
Secretary.

BUREAU OF ENGRAVING AND PRINTING, BUILDING.

TREASURY DEPARTMENT,
OFFICE OF SUPERVISING ARCHITECT,
Washington, April 16, 1909.

MY DEAR MR. TAWNEY: I am inclosing a copy of a letter which the Secretary addressed to the chairman of the Committee on Appropriations, United States Senate, February 26, 1909, as I understand that a general appropriation bill for miscellaneous objects will be considered by Congress at this special session, and would like very much if you could include in said bill a provision covering substantially the same ground as that covered by the amendment therein suggested. You will notice by the date that the letter was sent so late in the last session of Congress as to preclude its consideration.

I am personally very anxious that some such provision should be made, for the reasons set forth in said letter.

Yours, very truly,

J. K. TAYLOR,
Supervising Architect.

HON. JAMES A. TAWNEY,
House of Representatives, Washington, D. C.

FEBRUARY 26, 1909.

CHAIRMAN COMMITTEE ON APPROPRIATIONS,
United States Senate.

SIR: Referring to a bill (H. R. 28245) making appropriation for sundry civil expenses of the Government for the fiscal year ending June 30, 1910, and for other purposes, and especially to page 38 thereof, which contains (lines 6 to 12, inclusive) an item for site and continuation of building under present limit for the Bureau of Engraving and Printing, this city, I have the honor to recommend that said item be amended by adding thereto the following provision:

The Secretary of the Treasury is authorized, in his discretion, to procure plans and specifications for the mechanical and electrical equipment of the new building for the Bureau of Engraving and Printing (exclusive of the special features relating to printing and engraving), at the usual rates of compensation for such services, from engineers specially competent by reason of their experience and familiarity with the unusual problems involved in the operations performed in a building of this character.

The above recommendation is based on the following reasons:

My letter of February 12, 1908, addressed to the Speaker of the House of Representatives, relative to enlarged accommodations for the Bureau of Engraving and Printing, invited attention to the inadequacy of the rooms available for the number of people employed and the volume of work executed, resulting in a deplorable overcrowding of men and women in almost every part of the building, and in the necessity of working a part of the force beyond the regular hours, and keeping a considerable number of women and men on night work. In times of exceptional urgency, both day and night forces have been required to work twelve hours consecutively as their regular tour of duty.

Overtime and night work are objectionable and exhausting equally in connection with the delicate operations involved in engraving and

the more arduous processes connected with printing, and must result in injuring the health of the operatives and impairing their efficiency, and no relief from night work, or from the necessity of working overtime when an exigency arises, can be expected until adequate facilities are provided for the execution of the work of the bureau during the regular hours of the department.

For these reasons expedition is very important in connection with the construction and equipment of the new building for the bureau, and, other things being equal, should be the determining factor in making provisions for the work. The engineering branch of the Supervising Architect's office of this department is well equipped to prepare the plans and specifications for the mechanical and electrical work so far as the personnel of the organization is concerned, but poorly equipped so far as relates to facilities for promoting expedition of this particular work, for the drafting rooms are overcrowded, making it impossible to take care of an additional force without which either the bureau work must be seriously delayed, or it must be allowed to take precedence of and delay work on various public buildings, of which about 200 are now waiting to be taken up with a view to putting the work on the market. The problems to be worked out in the mechanical and electrical equipment of the building for the bureau are of a special character, and would require the attention of several of the highest-grade engineers in the department, as well as the entire services of a number of draftsmen for a considerable period of time, and under the present conditions such a disposition of the force would result in seriously hampering the work of the Supervising Architect's office, and undoubtedly cause a great deal of criticism by those interested in getting prompt results in connection with buildings provided for in other cities.

It is estimated that the cost of the work under the provisions herein recommended would not be greater than if the work were performed in the Supervising Architect's office.

Respectfully,

_____,
Secretary.

PRINTING OF BULLETIN ON MILK AND ITS RELATION TO THE PUBLIC HEALTH.

STATEMENT OF DR. WALTER WYMAN, SURGEON-GENERAL, PUBLIC HEALTH AND MARINE-HOSPITAL SERVICE.

Mr. TAWNEY. Doctor, you have an estimate upon page 17 of the bill before you for printing the bulletin of the Public Health and Marine-Hospital Service on the subject of "Milk and its Relation to the Public Health," \$6,000.

Doctor WYMAN. I wish to say that I did not know that this had been forwarded to the committee. I wrote a letter to the Secretary of the Treasury concerning it and the difficulties that we have had in having this bulletin and four others printed. But I did not know that the matter was coming up before the committee at all.

Mr. TAWNEY. This is in relation to a bulletin of 757 pages.

Doctor WYMAN. With regard to that bulletin, I would say that it is a most useful bulletin, and that it has attracted the attention and

the commendation of scientific men interested in public-health matters everywhere, not only in this country, but in Europe. It has also been of great value to those engaged in the milk business in the United States, enabling them to rectify a good many of the faults connected with the gathering and dispensing of milk. It is the most complete treatise on the subject that has ever been published, and we have had a great many more demands for it than we have been able to meet.

Mr. TAWNEY. It is now in print?

Doctor WYMAN. It is exhausted.

Mr. TAWNEY. How many copies were printed originally?

Doctor WYMAN. Four thousand.

Mr. TAWNEY. Four thousand copies have already been printed?

Doctor WYMAN. Yes, and distributed.

Mr. TAWNEY. What was the cost?

Doctor WYMAN. \$5,655.08.

Mr. LIVINGSTON. How have they been distributed?

Doctor WYMAN. Given away. A good many have been distributed through requests of Members of the House and Senate, and then we have distributed them ourselves through our regular mailing list.

Mr. TAWNEY. Was the expense incident to the publication of the bulletin paid out of the printing appropriation for the Marine-Hospital Service?

Doctor WYMAN. No, sir; we have no special appropriation.

Mr. TAWNEY. Out of what appropriation was the expense paid?

Doctor WYMAN. Out of the general appropriation for the printing of the Treasury Department—a lump appropriation.

Mr. TAWNEY. How many copies do you estimate this \$6,000 asked for will print?

Doctor WYMAN. I think it will print about five or six thousand copies.

Mr. TAWNEY. Do you mean that it will cost a dollar a copy to print it?

Doctor WYMAN. I can not say positively as to the cost per copy, but it will be less than the original cost, because, while we have revised it, yet a good many pages are untouched, comparatively few being changed, and they have the plates.

Mr. SMITH. The cost was less than a dollar per volume last time.

Doctor WYMAN. I think in the neighborhood of \$1.25 last time—the 4,000 copies cost \$5,655.08.

Mr. TAWNEY. Have the 4,000 that you had printed been distributed?

Doctor WYMAN. Yes, sir.

Mr. TAWNEY. Are the demands for additional copies so great that you can not wait until next December for the money with which to have them printed?

Doctor WYMAN. Yes; the demands are so great that we ought not to wait. It is very valuable information that is needed all the time.

Mr. TAWNEY. While I represent one of the largest dairy districts in the United States, of 139 creameries and 10,000 patrons, yet I have not received a request for one of the bulletins.

Doctor WYMAN. I will look into it and see what has been sent up into your district. I am sure that there must have been some sent there; but if not, that would account for your not having received requests for copies. A great many Congressmen have received requests for them.

Mr. SMITH. There has been of late a great study made in the cities of this milk problem.

Doctor WYMAN. Oh, yes.

Mr. SMITH. And by the application of these methods and additional knowledge, I am advised that the death rate among children has fallen from 7 per thousand to 2 per thousand, or about that?

Doctor WYMAN. Yes.

Now, if you will allow me, as I said before, I was not aware that we could have the privilege of coming before the Appropriation Committee this summer. I would like now to make known to you one feature connected with our printing of these bulletins, and ask your advice as to what we shall do. We have a law authorizing ten laboratory bulletins a year. A joint resolution of Congress approved February 24, 1905, specifically allows ten laboratory bulletins in any one year. There are one or two other kinds of bulletins allowed, but I am speaking now of the laboratory bulletins particularly. Of course, no appropriation accompanied this joint resolution, but the expense of these publications is met out of the general lump sum appropriated for the printing of the Treasury Department. Last winter we were informed verbally that there was not enough left to print these bulletins, but if a deficiency were granted, which had been asked for, they could print them. But after the deficiency appropriation was given we still got information that the last five bulletins of the ten to which we were entitled could not be printed that fiscal year, the fiscal year 1909. That would cut us out of five bulletins unless some provision is made for printing them. I had intended bringing this up next winter to have it rectified, because this fiscal year, 1910, we have only ten bulletins allowed, and the five that are left over from last year ought to be provided for in some way; so that if it is possible now in making this provision I hope you can provide for the other four. This one that you have before you is one of the five, but there are four others of extreme importance, one of them relating to the investigation of the cause of the continued prevalence of typhoid fever in the District of Columbia, being the third report of that character, a very instructive and an extremely useful investigation.

Mr. LIVINGSTON. If you would publish a bulletin showing how to cure typhoid fever, I would be in favor of giving you \$100,000.

Doctor WYMAN. I would rather know how to prevent it.

Mr. LIVINGSTON. You can not prevent it, because it arises from too many causes, sometimes purely local and purely contingent, and how are you going to know how to meet those local and contingent causes?

Doctor WYMAN. I think I differ with you there, but that is what these bulletins are designed to show.

THURSDAY, JULY 1, 1909—10.30 A. M.

DISTRICT OF COLUMBIA.

BOARD OF CHILDREN'S GUARDIANS.

**STATEMENTS OF MESSRS. J. B. T. TUPPER, VICE-PRESIDENT,
JOHN A. CISCO, AGENT, BOARD OF CHILDREN'S GUARDIANS,
AND GEORGE S. WILSON, SECRETARY, BOARD OF CHARITIES.**

Mr. TAWNEY. On page 5 of the bill before you is an item that you are interested in. You have submitted an estimate for an additional amount required for board and care of all children committed to the guardianship of the Board of Children's Guardians by the courts of the District of Columbia, and for the temporary care of children pending investigation or while being transferred from place to place, for the fiscal year 1909, \$6,000. The fiscal year 1909 having closed yesterday, can you state what the exact deficiency is?

Mr. TUPPER. The figures not having been made up for the month of June, I can not state exactly. We can only state up to the first of June and then estimate it for the month of June. I think this is very near correct as estimated.

Mr. TAWNEY. What is the actual deficiency up to June 1?

Mr. TUPPER. \$7,943.92; that is, estimating for June.

Mr. LIVINGSTON. What did you estimate for June?

Mr. TUPPER. I might state that Mr. Mann is president of the board, I am vice-president, and I was called in suddenly upon this matter without having given as much attention to the details as I ought to have given. Mr. Cisco is our agent, but anything that we can supply in writing by letter can be sent.

Mr. BURLESON. Have you the deficiency up to the 1st day of June?

Mr. TUPPER. All I have to go by is a letter from the board to the Board of Charities, dated June 24, in which the figures are tabulated and the amount due to each institution is given. When we saw this deficiency approaching, we determined to charge it from these institutions. You will understand that we have a contract with these institutions to take these children turned over to us by the juvenile court. We have no way of regulating the number of children; that is under Judge De Lacey, they being brought up before him and he turning them over to us. We have fifteen or sixteen hundred. We make contracts for the care of those children with institutions at what is supposed to be the per capita cost—\$13 a month. We also have nurses under contract to take these children from \$9 to \$10, usually the price being \$10 per month. When we saw this deficiency approaching we cut off these institutions, instead of cutting off the nurses who had them in charge, because we thought that they could stand it better. The Children's Temporary Home, the Industrial Home School at Blue Plains, the Industrial Home School at Georgetown—a public institution—the National Junior Republic, the House of the Good Shepherd at Baltimore, the House of the Good Shepherd at Georgetown, the St. Ann's Infant Orphan Asylum, the House of Mercy, the St. Joseph's Male Orphan Asylum, the St. Mary's Industrial School, the St. Rose's Industrial School, and the St. Vincent Female Orphan Asylum are the institutions.

Mr. LIVINGSTON. Do you mean to say that you are appropriating money to those institutions?

Mr. TUPPER. I say that they are the ones that we are indebted to and that we are asking this deficiency for.

Mr. LIVINGSTON. Are they not public institutions and not denominational religious institutions?

Mr. TUPPER. Some of these are sectarian.

Mr. CISCO. Or supposed to be.

Mr. TAWNEY. All of the schools that you contribute to from this \$40,000 appropriation, which is due for the current fiscal year, you are authorized to make those contributions to, are you not, under the law?

Mr. TUPPER. Yes; we have not paid anything excepting that authorized by law.

Mr. TAWNEY. What is the nature of the payment—is it a contribution or a per capita contract?

Mr. TUPPER. It is a per capita contract.

Mr. BURLESON. It originally was a contribution, but we have been trying to get it down to a basis of per capita contract, so that we would know exactly where we are.

Mr. TUPPER. We make a contract at the beginning of the year with these different institutions.

Mr. LIVINGSTON. In other words, the Board of Children's Guardians is a kind of a clearing house; you take all of these children and distribute them and pay for them?

Mr. TUPPER. Yes.

Mr. TAWNEY. At so much per capita for their care and maintenance?

Mr. TUPPER. Yes. Of course, we are endeavoring to find free homes all the time. It is only a portion that we pay for.

Mr. CISCO. Out of a total of over 1,700, we have been paying for 435 on an average for the last year.

Mr. TAWNEY. Your estimate for the fiscal year 1909 was \$44,000, and the appropriation was \$40,000. You have already had a deficiency of \$6,000, and now you are asking for another deficiency.

Mr. SMITH. I would like to know why it is that with respect to some of these places you can deduct certain amounts. Some of these places you can elect whether you are going to pay or not.

Mr. CISCO. They are District institutions.

Mr. LIVINGSTON. But you are not bound to pay under the law.

Mr. CISCO. No; and that is the reason we have deducted it.

Mr. TUPPER. We have \$5,378.90 due the industrial schools at Blue Plains and at Georgetown.

Mr. SMITH. We pay it out of the Federal Treasury, but this statement makes it appear that your function costs less.

Mr. TUPPER. I suppose that was due to the Industrial Home School at Georgetown just as much as these other institutions; but they have managed to get along without it, it seems. Whether there will be a claim for it or not I do not know, but we are not including that in this estimate.

Mr. LIVINGSTON. You bind all the children under the law?

Mr. TUPPER. I suppose we do under the law. I thought that we ought to talk to Judge DeLacy and see if he could not send them somewhere else.

Mr. LIVINGSTON. Do you have to take them?

Mr. TUPPER. I understand so. I do not know what they would do with them.

Mr. LIVINGSTON. Perhaps he has some discretionary power himself.

Mr. TUPPER. I suppose he must have; yes.

Mr. LIVINGSTON. I understand that this clearing house is compelled to take all of the children sent?

Mr. TUPPER. That is my understanding.

Mr. BURLESON. How long have you been paying the Blue Plains and Georgetown per capita for the support of those children, and where is the law for that?

Mr. TUPPER. The present law.

Mr. BURLESON. They are public institutions and supported by direct appropriations in the District of Columbia appropriation bill. Where is any legal authority for you to take money out of this fund and pay it into the per capita fund at those institutions for the support of the children there, and whom do you pay it to?

Mr. TUPPER. I shall have to look that up.

Mr. TAWNEY. You must have authority for the payment, or it could not be audited.

Mr. TUPPER. The Industrial School at Georgetown receives an appropriation from Congress, and they take children without going to the Board of Children's Guardians. We have made a contract with them for our children, but I was under the impression that next year it was provided that they should take everything.

Mr. CISCO. Yes; and we pay them no more.

Mr. BURLESON. Take the Georgetown School, which is the school for the whites. We have made a direct appropriation for the support of that institution for a number of years. Take the Blue Plains institution. We commenced two years ago making direct appropriations for the support of that institution. What I wished to know was, where is there any authority to pay these amounts that you are speaking of for the support of the inmates of those institutions?

Mr. TUPPER. I can not tell you of any particular provision, but I will look that up. Mr. Wilson, the secretary of the Board of Charities, would be able to tell that in a moment.

Mr. BURLESON. As I understand it, the children at Blue Plains and at Georgetown all go there through commitments from the police courts, or the juvenile court?

Mr. TUPPER. Yes; I think they do now. They did not use to at Georgetown, but now they do.

Mr. TAWNEY. And there is a contract appropriation for the maintenance of these inmates in both institutions?

Mr. TUPPER. There is a contract appropriation for the institution, but I did not understand that that included what we send there.

Mr. LIVINGSTON. Do you represent the Board of Charities?

Mr. TUPPER. No; I represent the Board of Children's Guardians.

Mr. Mann is president of the board, but is away now. Mr. Cisco, the agent, wanted me to come here.

Mr. LIVINGSTON. Have you authority under the law to ask for an appropriation for the Board of Children's Guardians?

Mr. TUPPER. Well, I suppose we could tell whether we want the money or not.

Mr. LIVINGSTON. Are you bonded?

Mr. TUPPER. We apply to the Board of Charities.

Mr. LIVINGSTON. I understand, and that is the reason why I wanted to separate the Board of Charities from the Board of Children's Guardians. Who is your disbursing officer?

Mr. TUPPER. Mr. Cisco.

Mr. LIVINGSTON. He pays the money out, but does not know anything about it?

Mr. TUPPER. Yes; it seems so.

Mr. LIVINGSTON. Is he bonded?

Mr. TUPPER. I think he is.

Mr. SMITH. I notice from this letter that you have had before you that it is stated you already paid out, from July to December, to the Industrial Home School at Blue Plains, \$3,030.52, and that you paid out, from July to December, to the Industrial Home School at Georgetown \$2,938.03, making in round numbers \$6,000 out of your appropriation that you have already paid to these two public institutions. Then you estimate the amount to become due June 1 to the Industrial Home School at Blue Plains \$2,833.01 and to the Industrial Home School at Georgetown \$1,600.28, and that the amount that will probably be due for the month of June to the Industrial Home School at Blue Plains is \$533.04 and to the Industrial Home School at Georgetown \$412.57, so that of the amount which you report as actually due and to probably become due to these institutions you have paid about half. Upon what theory do you come to the conclusion that you are authorized to pay half and authorized to keep away the other half?

Mr. TUPPER. As I say, I do not know.

Mr. SMITH. One of two things is true, either this money, this \$6,000, is misapplied, or the other \$6,000 is misapplied; either you do not owe them the \$6,000, and that which has been paid has been illegally disbursed or else the balance is due them.

Mr. TUPPER. I should say so.

Mr. SMITH. Who is the custodian of the contracts for these various institutions?

Mr. TUPPER. Mr. Cisco.

Mr. SMITH. Do you keep books showing how long each person is at each institution?

Mr. CISCO. Yes, sir.

Mr. SMITH. Is the per capita charge the same at each of these institutions under your contracts?

Mr. CISCO. No, sir.

Mr. SMITH. Is it materially variant?

Mr. TUPPER. Not very materially. I should say offhand that it was about \$13 a month.

Mr. SMITH. What do you say about that, Mr. Cisco?

Mr. CISCO. Some of them are \$13 a month and some of them as low as \$100 a year.

Mr. SMITH. Is \$13 a month the highest?

Mr. CISCO. Yes, sir.

Mr. BURLESON. The \$13 per month is for the afflicted children—the deaf, dumb, and blind?

Mr. CISCO. No; \$13 a month for the industrial home schools, and for the Children's Temporary Home.

Mr. SMITH. If I should call these institutions off, in the order in which you have them in this letter, would you be able to tell the contract provided as to each?

Mr. CISCO. No; I would not. I am somewhat unfamiliar with the work. I would say, however, that the industrial home schools get \$13 per month, and the children's temporary homes get the same; that is, the colored.

Mr. LIVINGSTON. And the white homes get what?

Mr. CISCO. The National Junior Republic gets \$13.

Mr. LIVINGSTON. Is that colored?

Mr. CISCO. No; that is white. The Industrial Home School for Boys in Georgetown is white, and that is \$13 per month.

Mr. TUPPER. If you would like to have estimates of the amount paid to each institution per month, under contract, we will write you a letter and send it up.

Mr. BURLESON. Upon what authority do you draw the money from the Treasury to make these payments?

Mr. TUPPER. The appropriation is made, and we draw the vouchers for it at the end of each month, and they are paid.

Mr. LIVINGSTON. Are you a bonded officer?

Mr. CISCO. Yes, sir.

Mr. LIVINGSTON. What is your bond?

Mr. CISCO. Well, I am only bonded for a small amount for advance fund.

Mr. LIVINGSTON. You do not pay out all this fund?

Mr. CISCO. No, sir; I am not the disbursing officer at all.

Mr. TUPPER. I thought you were the disbursing officer.

Mr. LIVINGSTON. Who is the disbursing officer?

Mr. CISCO. The disbursing officer of the District. The only thing I am bonded for is to cover the traveling expenses of those seeking homes, \$200 at a time.

Mr. SMITH. Do you not know that in 1908 you asked for \$54,000, and in 1909 you voluntarily reduced your estimate \$10,000 upon the ground that you did not have to pay at these industrial homes?

Mr. CISCO. I only know what the record shows about that.

Mr. SMITH. Was not that the reason for the reduction?

Mr. CISCO. No, sir.

Mr. TAWNEY. How long have you been connected with the Board of Children's Guardians?

Mr. CISCO. Since last October.

Mr. TUPPER. He took Mr. Douglas's place.

Mr. LIVINGSTON. Under whose supervision is the Board of Children's Guardians, the District Commissioners?

Mr. TUPPER. I was appointed by the court.

Mr. LIVINGSTON. Is it an independent concern?

Mr. TUPPER. No; we are under the Board of Charities, and make our reports to that board.

Mr. LIVINGSTON. Then the Board of Charities is the body that we should get after.

Mr. TUPPER. Yes, sir.

Mr. SMITH. Has the number of persons turned over to you increased this year?

Mr. TUPPER. It has been increasing from year to year. As soon as they get up to age—that is, the girls 18 and the boys 21—they pass out of our control.

Mr. LIVINGSTON. Can you not get the boys out before the age of 21?

Mr. TUPPER. Well, we are making indentures all the time.

Mr. CISCO. Out of a total of nearly 1,800 wards, we have only had last year 435 on expense. Only the larger boys and girls are kept at expense for purposes of discipline—that is, incorrigible boys and girls whom we can not put in a home, boys and girls that nobody will take, and do not want. They frequently go to reform schools.

Mr. SMITH. These are supposed to be a better class than go to reform schools, are they not?

Mr. CISCO. Somewhat better.

Mr. SMITH. The judge decides whether the boy is a fit subject for a reform school or a fit subject to be given to the control of the Board of Children's Guardians; is not that the situation?

Mr. CISCO. Yes; that is the situation, and then we place the boy in one institution temporarily until we can find a place for him.

Mr. BURLESON. This is what I had in mind a moment ago. This is from the hearings of February 24, 1908. (Reads:)

Mr. GARDNER. What does this mean, the estimate for \$44,000 and an appropriation for this year of \$54,000? Where do you get that reduction?

Mr. LIGHTFOOT. The reduction is because the Industrial Home School will care for many children heretofore paid for by the Board of Children's Guardians.

We assumed that the care of those children in the Industrial Home Schools was met by direct appropriation, but here you state you still continue to pay it.

Mr. TAWNEY. You gentlemen do not disburse any of the money that is appropriated?

Mr. CISCO. No, sir.

Mr. TAWNEY. Excepting for the traveling expenses of those who are charged with the duty of finding free homes?

Mr. CISCO. We have to get that through the disbursing officer of the District.

Mr. TAWNEY. Who is there connected with these boards who knows anything about the disbursement of this money, how this deficiency arose, and what it amounts to?

Mr. TUPPER. B. Pickman Mann is the president of the board.

Mr. TAWNEY. We will have to get somebody before us who knows about this matter.

Mr. SMITH. I notice in your annual report for 1908 that the appropriation for the care of children not feeble minded was \$54,000, from which expenditures were made as follows: Maintenance—in District institutions, \$20,237.20; in other institutions, \$2,501.62; in private boarding houses, \$18,217.14. By "District institutions" do you mean these homes at Georgetown and Blue Plains?

Mr. CISCO. Industrial home schools. There are two of those.

Mr. SMITH. What I am trying to get at is whether this whole \$20,237.20 went to government institutions or not, and whether that is what you mean by "District institutions."

Mr. TUPPER. Those mean in the District of Columbia. There are some in Baltimore.

Mr. SMITH. Do you send some of these people to Baltimore?

Mr. TUPPER. Yes, sir.

Mr. BURLESON. What class do you send to Baltimore? The feeble-minded colored children, do you not?

Mr. TUPPER. Not all-feeble minded. There are some girls that need reforming, a bad class of girls, and I do not think there is any institution here to reform them. There is a House of Mercy, but they do not take colored girls.

Mr. CISCO. These are incorrigible girls, large girls, those that you can not control or trust in a home. They would not stay in a home twenty-four hours, but would run away. They are girls 12, 13, 14, and 15 years of age that we can not place in a home, and must be disciplined. We have no place in the District where we can put girls like that, and we have to send them to Baltimore.

Mr. TAWNEY. What do you pay the Baltimore institution per capita?

Mr. CISCO. One hundred dollars a year.

Mr. SMITH. You say that "District institutions" does not mean institutions of the District, but simply institutions located in the District?

Mr. TUPPER. Yes, sir.

(The following letter was filed by Mr. Tupper:)

BOARD OF CHILDREN'S GUARDIANS,
DISTRICT OF COLUMBIA,
Washington, D. C., June 24, 1909.

The BOARD OF CHARITIES OF THE DISTRICT OF COLUMBIA.

SIR: I present herewith a statement of amounts already paid by the Board of Children's Guardians from its appropriation for the maintenance of children not feeble-minded for the fiscal year ending June 30, 1909, the amount actually calculated as due to be paid from the same appropriation for service rendered, and an estimate of the amount to be due for the remainder of the fiscal year. The last estimate is of course inexact, and the calculation of amounts due and unpaid may be changed slightly upon more exact rendition of accounts, but the total varies very little from the eventual amount.

	When paid.	Amount.	Ascertained due.		Estimated to become due June.	Total.
			Period.	Amount.		
Bruen Home.....	July to February.	\$4,459.76	March to May...	\$1,569.91	\$548.15	\$6,577.82
Children's Temporary Home.	July to March...	7,658.91	April to May....	1,297.62	814.23	9,770.76
Industrial Home School (Blue Plains).	July to December.	3,030.52	January to May.	2,833.01	533.04	6,396.57
Industrial Home School (Georgetown).	July to January.	2,938.03	February to May.	1,600.28	412.57	4,950.88
National Junior Republic.	July to March...	743.92	January to May.	127.48	79.21	950.61
House of the Good Shepherd (Baltimore).	July to October.	166.60	November to May.	246.14	34.79	447.53
House of the Good Shepherd (Georgetown).	July to October.	418.09	November to May.	649.94	97.09	1,165.12
House of Mercy.....	July to October.	33.32	November to May.	171.35	57.00	261.67
St. Ann's Infant Orphan Asylum.	July to October.	33.32	November to May.	78.19	10.13	121.64
St. Joseph's Male Orphan Asylum.	July to October.	199.92	November to May.	553.08	66.45	821.45
St. Mary's Industrial School.	July to October.	566.98	November to May.	1,163.64	158.06	1,888.68
St. Rose's Industrial School.	July to October.	12.49	.....	58.31	6.43	77.23
St. Vincent's Female Orphan Asylum.	July to October.	62.47	November to May.	174.93	21.58	258.98
Boarding homes.....	July to May.....	21,619.72	.....	.....	1,965.00	23,584.72
Burial.....	July to October.	170.00	November to May.	57.00	10.00	237.00
Clothing.....	July to May.....	332.17	.....	.....	30.00	362.17
Medicine and attendance..	July to May.....	1,329.99	.....	.....	120.00	1,447.99
		43,776.21		10,580.88	4,965.73	59,322.82

It appears from this statement that—

The amount actually paid out is.....	\$43, 776. 21
Amount found due for services rendered up to the end of May, as specified..	10, 580. 88
Amount estimated to become due for June, as specified.....	4, 965. 73

	59, 322. 82
If from this amount be deducted the appropriations already made.....	46, 000. 00

13, 322. 82

And also be deducted the amounts due the two industrial home schools:

Blue Plains.....	\$3, 366. 05
Georgetown.....	2, 017. 85
	5, 378. 90

7, 943. 92

To allow for inexactness in the estimates a deficiency appropriation is asked of \$8, 000.

Respectfully,

President, Board of Children's Guardians.

Mr. TAWNEY. An estimate has been submitted for an additional amount required for board and care of all children committed to the care of the Board of Children's Guardians by the courts of the District of Columbia, and for the temporary care of children pending investigation or while being transferred from place to place, for the fiscal year 1909, \$6,000. Do you know what the actual deficiency is, now that the fiscal year is closed?

Mr. WILSON. I know, Mr. Tawney, that we made an estimate to about June 24, which showed that it was within one or two hundred dollars of \$8,000, instead of \$6,000.

Mr. TAWNEY. Can you tell us how that deficiency arises?

Mr. WILSON. I can give you some information. I did not know of this particular estimate being before your committee. It was not transmitted by us. I did not know that any deficiency would be considered this session. The original \$12,000 was submitted to the regular subcommittee last session.

Mr. TAWNEY. You have had a deficiency already this year of \$6,000?

Mr. WILSON. That is just half of the amount estimated about four months ago. There are two reasons for this deficiency. One is that the appropriation was, I think, \$4,000 less than a pretty close estimate which was made a year ago.

Mr. TAWNEY. Is it not a fact that you reduced the amount because the two institutions, the Georgetown Industrial School and the one at Blue Plains, were to be provided for by another appropriation?

Mr. WILSON. That is quite true. We recommended it, but the committee did not take it up. We did reduce the estimate because the Industrial Home School at Blue Plains was opened and it was intended to take care of children formerly cared for at the Hart School. The Georgetown Industrial School had been taking the children and receiving payment from the Board of Children's Guardians. We did not think that was best. We brought it before the committee and they considered it. You will find in the record that we filed an exact statement of moneys paid to this school for many years and that we recommended that you provide that hereafter no payments of the kind should be made. That was not done; but last year, having looked the thing over, we concluded that if the commissioners had the money they could change the system without legislation.

In the hearings on the bill for 1910 we asked again that the appropriation for the Board of Children's Guardians be reduced from what would be the normal amount and the appropriation for the two schools be increased. The appropriation for the Board of Children's Guardians was reduced and the appropriation for the schools was slightly increased. We think, in spite of everything that can be done, that there will be a considerable deficiency on the part of the schools. Inasmuch as Congress did reduce the appropriation for the Board of Children's Guardians, and they will need all they have, we recommended to the Commissioners, and they passed an order taking effect July 1, 1909, to the effect that no payments to these schools hereafter be made by the Board of Children's Guardians. I can say that our committee on child-caring institutions has given two days a week during the last two or three months to looking into the whole question of child-caring institutions, including the Board of Children's Guardians, and in connection with the estimates next year they will submit a very exhaustive report.

Since the establishment of the juvenile court the number of wards committed to the board has very rapidly increased. For instance, you will find in the report for 1908 that the increase in the number of wards that they had in hand at the close of the year was 130 more than at the beginning of the year and during the year just closed that increase will be slightly greater. Another phase of the matter is that not only has the number of wards increased, but the proportion of the so-called "temporary" wards has been very greatly increased. They used to carry 30 or 40, and now they have probably from 150 to 200. What that means is this, that a temporary ward can not be disposed of in a free home the same as a permanent ward. The board of guardians has only a limited control and may be called by the court at any time to return the child to the court. The new law provides that the court may commit the wards either temporarily or permanently, and under the new law there are a great many children committed on temporary commitments for a year and some for several years; so you see these children are often maintained for a very considerable time, and yet they can not do anything with them. The fact is that in the past two or three years the number of children committed has very greatly increased and an increased proportion of these commitments are so-called "temporary" commitments so that the board can not place the children in free homes.

Mr. TAWNEY. As I understand, there has already been paid to the Georgetown Industrial Home School and to the Blue Plains institution \$6,000 during the last fiscal year and that you are indebted to those schools for about \$6,000 more?

Mr. WILSON. No. There is no estimate for the indebtedness. I think you will find it is \$5,300. It is a paper indebtedness.

Mr. TAWNEY. Do you consider that a legal payment, the \$6,000 already paid?

Mr. WILSON. Yes, sir.

Mr. TAWNEY. Under what law is that justified?

Mr. WILSON. The organic law creating the Board of Children's Guardians, which provides that they may place the children in homes and pay their board. The white school was originally supported by private funds, but the private funds gradually decreased and finally ceased altogether. Then the school was turned over to the District

and made a purely public institution. When the Blue Plains school was opened the matter came up. Our board was opposed to the plan of payment by the Board of Children's Guardians, but they felt that they did not have the money, and the corporation counsel passed upon the matter and a contract was entered into.

Mr. TAWNEY. Between a public institution and the Board of Children's Guardians?

Mr. WILSON. Between the two boards.

Mr. TAWNEY. The Industrial Home School is maintained by public appropriations?

Mr. WILSON. Yes, sir. There is no contract made with the Industrial Home School at Blue Plains—that is, under the direction of the commissioners—and we simply suggested that there be charged against the appropriation so much for each child sent there by the board.

Mr. BURLESON. Who suggested that that be done—the commissioners?

Mr. WILSON. The Board of Children's Guardians, I think. It was found impossible for the school to take more than possibly 20 or 30, when they had room for about 60.

Mr. BURLESON. My understanding was that the Blue Plains school was supported by a direct appropriation?

Mr. WILSON. Yes, sir.

Mr. BURLESON. At whose suggestion was this started?

Mr. WILSON. The school and the Board of Children's Guardians agreed upon a contract and recommended it to the Commissioners. The papers were sent to the auditor to see if it was a legal process, and it was so held.

Mr. BURLESON. The appropriation made by Congress is ample for the support of both of those institutions?

Mr. WILSON. I do not think it was ample for the colored school, and it has not for many years been sufficient for the white school; and Congress has known that about one-third of the support of the white school came from the Board of Children's Guardians. That practice grew up, but I am glad to say that it has been ended. The Commissioners will never permit the payments from the Board of Children's Guardians to these schools hereafter. The schools will be obliged to maintain themselves on what Congress allows them.

Mr. TAWNEY. What do you estimate this deficiency to be, in total?

Mr. WILSON. It is estimated at \$8,000. The actual expenditures, including May and a close estimate for June, are \$7,943.92. I believe it will be inside of \$8,000, but not very much.

Mr. TAWNEY. Is any part of that \$8,000 to go to the new Blue Plains school or the Georgetown school?

Mr. WILSON. None, and none has been paid to either school for nearly six months. At the end of December it nearly all stopped. We suggested that when we did not have money to pay for the boarding of children in the private homes that we stop.

Mr. TAWNEY. Then this \$8,000 is to go to private schools on account of the care of children that were committed during the last fiscal year by the courts of the District of Columbia, and to be paid under a per capita contract?

Mr. WILSON. Yes, sir; and to private homes.

Mr. SMITH. As to these other pupils at these two schools, how are they turned into the schools?

Mr. WILSON. They are committed there by the juvenile court. All the children dependent in any wise upon appropriation for support in whole or in part are committed by the judge of the juvenile court.

Mr. SMITH. What distinction is there between these pupils you send to Blue Plains and Georgetown and their other pupils?

Mr. WILSON. All the pupils at both these schools are sent by the juvenile court.

Mr. SMITH. So that under this new system you have adopted, you appear to reduce the expense of administration of the juvenile court, and charge it up, in effect, to the school?

Mr. WILSON. I do not quite understand your question.

Mr. SMITH. If you send a pupil to either Georgetown or Blue Plains who has been found guilty of crime or incorrigibility by the juvenile court, and it is paid out of their general appropriation, the operation of it is to totally confuse in those schools the expenses of education and the expenses of administration of the criminal law.

Mr. WILSON. I think not. I think in neither of those two schools are many children that would be likely to come under the operation of any section of the criminal law. We have two other schools, the National Training School for Boys and the Reform School for Girls to which juveniles guilty of offenses are sent.

Mr. SMITH. Oh, I understand that; that is the regular reform school. Your pupils are midway between those and the ordinary students at Blue Plains and Georgetown.

Mr. WILSON. Our pupils, at Blue Plains and at Georgetown, generally speaking, are simply dependents. Not many are committed for any offense.

Mr. SMITH. Yours are, are they not?

Mr. WILSON. Not many of them.

Mr. SMITH. Not those from the Board of Children's Guardians?

Mr. WILSON. Not many; no. There are not many committed excepting for dependency. There are, of course, some wayward children in both schools, but not many of those in either school are committed for offenses. They are simply dependents—children without any suitable home.

Mr. SMITH. About what number from the Board of Children's Guardians, or from the juvenile court, is guilty of some offense?

Mr. WILSON. The agent, Mr. Cisco, says about half.

Mr. SMITH. What are the others committed for?

Mr. WILSON. Destitution.

Mr. SMITH. What are the others committed for who go to Blue Plains and Georgetown schools?

Mr. WILSON. There are none who go to the Blue Plains school excepting directly from the Board of Children's Guardians, but at the Georgetown school there is a board of trustees and a committee on admissions, and that committee on admissions sometimes receives children in the school directly from the juvenile court that are not wards of the Board of Children's Guardians.

Mr. SMITH. Are there no pupils admitted to either of these schools excepting through the juvenile court?

Mr. WILSON. None, nor to any other school supported by Congress. You understand that the juvenile court deals not only with juvenile offenders, but with dependent children also. No child can now be

received in any institution as a public dependent until it is so declared by the juvenile court. The children under the care of the Board of Children's Guardians are very largely dependent only, and not juvenile offenders at all. Many of them are under 6 years of age.

MILITARY ESTABLISHMENT.

SUBSISTENCE OF THE ARMY.

STATEMENT OF BRIG. GEN. HENRY G. SHARPE, COMMISSARY-GENERAL.

MR. TAWNEY. We have on page 8 of the bill before you, General, an estimate for subsistence of the army, including all objects mentioned under this head in army appropriation act for the fiscal year 1909, \$380,142.06. That is an estimated deficiency. The total appropriation for the subsistence department for the fiscal year 1909 is \$7,382,951.45. Now that the fiscal year 1909 has closed, will you please give us an accurate estimate of the deficiency, and state how that deficiency arose?

General SHARPE. Not accurately at this time. I can explain how this deficiency existed.

MR. TAWNEY. How do you arrive at this estimated deficiency of about \$380,000?

General SHARPE. The estimate for the present fiscal year 1909 was based upon a strength of the army of 64,178 men. Since that time the army has been increased so that there are now 78,308 men in it, making a deficiency of our estimate in men of 14,130.

MR. TAWNEY. That is, you have that many more men than you had at the time of the estimate?

General SHARPE. Yes.

MR. TAWNEY. And you based your estimate on the actual number of men in the army?

General SHARPE. Yes, the actual number. The price of a ration has gone up from 19.65 cents. At the time we made up this deficiency estimate, we based it on 20.97 cents. Since submitting this deficiency estimate on the 1st of May, anticipating it might be some time before the legislation would be enacted, we then attempted to take such steps as we could to meet the condition this year. The result is that to-day we have gone into the reserves which we had on hand in the different depots. Some of the chief commissaries have a tendency to comply with our wishes and instructions about keeping down expenditures to such an extent that they even wanted to keep only ten days' supply on hand at posts on the first of the fiscal year. Of course we could not countenance that, because it would be beyond the risk of safety. But we have taken all the steps we could and have resorted to purchases under section 3732 of the Revised Statutes, which allows us to go into the market and buy on credit, so to speak. The exact amount of what those credit purchases were I can not tell until some time in August. We have largely eaten into the reserves we have had, and if we get the appropriation of \$380,000 now, I can not replace that out of the reserves; and I would advise, instead of

making this appropriation now, that we wait until the urgent deficiency bill at the next session of Congress, and then I can tell exactly what the deficiency will be. In other words, I have paid for as many supplies as I possibly could out of the current appropriation for 1910—having thrown some of the bills over into this year for payment for such supplies as are to be used this year. I have exhausted the reserves and have to replace those.

Another condition exists also. We have got to have a deficiency next year because we are about 8,000 men under the estimates so far as the strength of the army is concerned. We will have an urgent deficiency for the year 1910, and at the proper time I can tell exactly how much we are short as far as this indebtedness for 1909 is concerned.

Mr. TAWNEY. So that you will not need the appropriation of this estimate?

General SHARPE. No.

Mr. KEIFER. Will you be able to get along with your credit system until next January?

General SHARPE. No, sir. That only refers to such bills as were made in May and June where we did not have money enough.

Mr. KEIFER. How will you pay those?

General SHARPE. Some of those will have to be paid by this deficiency appropriation, but I can not tell what amount it will be.

Mr. KEIFER. Will your credit stand until that time?

General SHARPE. Oh, yes. The stores were purchased with the understanding that they would be paid for when funds were available. We have now about \$50,000 in the Treasury, all of which is available.

INTERIOR DEPARTMENT BUILDINGS.

DEPARTMENT OF THE INTERIOR,
Washington, June 8, 1909.

HON. JAMES A. TAWNEY,
*Chairman Committee on Appropriations,
House of Representatives.*

SIR: Referring to requests made to the Secretary of the Treasury by this department under date of May 11, 1909, House Documents 31 and 32, Sixty-first Congress, first session, for an appropriation of \$6,400 for removal and storage of Patent Office models, \$5,000 for heating apparatus, and \$3,500 for repairs to Pension Office building I desire to bring to your attention the urgent conditions which impelled this department to make these requests.

In the matter of the item of \$6,400 for storage of Patent Office models, this is in effect a request that the unexpended balance amounting to \$6,400 left from the appropriation of \$19,500, act of May 22, 1908, be made available during the next fiscal year. In January, 1909, these models, which had theretofore been stored in the Union Building, on G street between Sixth and Seventh NW., at an actual rental of \$19,500, were packed in suitable packing cases and removed to the corridors in the Patent Office building, where they are now stored. These packing cases occupy a total of 35,000 cubic

feet of floor space. The act of March 4, 1909, provided, among other things, "that all models of the Patent Office be retained at the Interior Department until provision is made for their care by Congress." As stated in the communication which accompanied the request for the appropriation, these boxes, 2,525 in number, are unsightly in appearance, are receptacles for dust and dirt, hard to remove or to handle, tend to obstruct free passageway of the corridors, are a menace to the lives of the employees, especially in case of fire, tend to obstruct the free circulation of air and to obstruct the light in the corridors. It is intended to use the balance of \$6,400, which would expire on June 30, 1909, during the next fiscal year, if the desired legislation is granted, to remove these models to a suitable warehouse and store them.

With reference to the item of \$5,000 for heating apparatus, Department of the Interior, it is intended with this sum to erect a smokestack in the courtyard of the Old Post-Office building. The stack now in use is that constructed within the walls of the building at the time the building was erected, and it was designed to serve boilers rated at about 250 horsepower, used merely for heating purposes. The plant has been extended from time to time until it now has a combined capacity of 1,200 horsepower, is furnishing heat for the Old Post-Office building, the Patent Office building, and light for the Pension Office building, the Old Post-Office and Patent Office buildings, and the Civil Service Commission. The forced draft has disintegrated the inner lining of the chimney, and upon investigation it is evident that this chimney has reached the danger point. It is imperative that a smokestack be erected at the earliest practicable date. It is the intention of the department on July 1 to remove the Indian Office from the Old Post-Office building to the Pension Office building, and to remove the Bureau of Education, which now occupies the Richmond Building, located at the northeast corner of Eighth and G streets NW., at an annual rental of \$4,000, to the space in the Old Post-Office building vacated by the Indian Office, thereby saving to the Government annually \$4,000 in rental besides other incidentals; consequently an appropriation of \$5,000 for the erection of a smokestack in the courtyard of the Old Post-Office building is offset by the saving effected in the readjustment of bureaus into buildings owned by the department.

The item of \$3,500 for repairs in the Pension Office building is in reality the only one of the three items which is a direct drain upon the Treasury. As stated in my communication to the Secretary of the Treasury, bids were asked for this work and the lowest received was \$3,200. I find that the Pension Office has required no extraordinary appropriation for a number of years past, but this emergency is of such character that if not remedied soon the result by injury to employees and probable loss of life will possibly entail greater damage financially to the Government than the cost of the repairs now sought to be made. The appropriations for the Department of the Interior available July 1, 1909, carry an item of \$20,000 for repairs of buildings. In 1907 and 1908 there was appropriated for this purpose \$12,500, and in 1909 the same amount with a deficiency appropriation of \$7,200, or \$19,700, out of which it has been and it will be necessary to disburse for the payment of the regular mechanical force to make the repairs approximately \$4,500. Deducting this approximate

amount, \$4,500, from the \$20,000 appropriation for the fiscal year ending June 30, 1910, will leave about \$15,500 available balance for repairs of buildings, including the Patent Office building, the Old Post-Office building, and Pension Office building. These three buildings are in a general bad state of repair, and if these combined items of \$5,000 for the erection of a new smokestack and \$3,500 for repair of the Pension Office building, or a total of \$8,500, should have to be borne from the regular appropriation of \$20,000, after reserving \$4,500, approximate amount for payment of the mechanical force, it would leave but a nominal amount as a working balance with which to make the necessary repairs of painting, reflooring, etc.

It is therefore earnestly and urgently desired that the appropriations asked be made.

Very respectfully,

R. A. BALLINGER,
Secretary.

CAPITOL BUILDING.

WALTER PLANS.

OFFICE OF SUPERINTENDENT,
UNITED STATES CAPITOL BUILDING AND GROUNDS,
Washington, D. C., July 7, 1909.

HON. JAMES A. TAWNEY,
*Chairman Committee on Appropriations,
House of Representatives.*

DEAR SIR: I am authorized by the Joint Commission on the Extension of the Capitol Building to lay before your committee a request that there be inserted in some deficiency bill, during the present session, an item appropriating \$2,500 for the purchase of 552 sheets of original designs and drawings, all of which relate to the Capitol building, and which were made by the late Thomas U. Walter, architect of the last extensions to the Capitol. These are now in the possession of the sole surviving heirs, the Misses Ida and Olivia Walter.

The commission considered this matter upon my recommendation (copy of which I inclose) and proceeded so far as to authorize me to make a tender to the Misses Walter in the sum named. In this the commission took my appraisal, which I am frank to state is very much lower than the real value of the drawings.

At the time this matter was considered the commission understood that a large balance remained of the sum appropriated by the act of April 28, 1904, which also created the commission, but just before the actual purchase was entered into it was discovered that this balance had been carried back to the Treasury, in accordance with the terms of a provision in the sundry civil act, approved March 4, 1909.

The commission, therefore, is unable to purchase these drawings unless the request above made is complied with.

These drawings should be in the possession of the Government, as they furnished a complete record of the last extensions to the Capitol, viz, the addition of the North and South Wings.

The committee might question why these drawings are not already in the possession of the Government. In this connection I will state that I am informed from credible sources that it was, and still is, the practice of architects to retain as their own property the original drawings, giving the client the necessary tracings, blueprints, etc. Mr. Walter retained practically all of the original drawings, leaving at the Capitol such sheets as might be necessary for the practical domestic care of the building.

Very respectfully,

ELLIOTT WOODS,
Superintendent United States Capitol Building and Grounds.

OFFICE OF SUPERINTENDENT,
UNITED STATES CAPITOL BUILDING AND GROUNDS,
Washington, D. C., June 28, 1909.

The Joint Commission on the Extension and Completion of the Capitol Building.

GENTLEMEN: In connection with the proposed extension of the Capitol building, as suggested in the sundry civil act approved April 28, 1904, wherein there was created a joint commission of the two Houses of Congress for the purpose of taking up that subject and reporting thereon, there has been and is now in my temporary possession 552 sheets of drawings, being original designs and details made for the extension of the Capitol building by the late Thomas U. Walter, architect, which drawings are now the property and in legal possession of the sole remaining heirs of Mr. Walter, namely, the Misses Olivia and Ida Walter.

These drawings have a very important relation to the Capitol building, and especially in connection with the study of the question as suggested by the act referred to.

Besides this, the drawings should be in possession of the Government in order to make a permanent record of the drawings relating to the Capitol building and its extensions. I have looked into the matter of their purchase, conferring with the Misses Walter for that purpose, and I now recommend that they be tendered the sum of \$2,500 for the 552 sheets referred to above, and to be paid for out of the appropriation made for the expenses of the joint commission on the Capitol extension.

The sum referred to I consider very small as compared to the value of the drawings. I therefore respectfully request the authority to make a tender of \$2,500 for the purchase of the drawings.

Very respectfully,

ELLIOTT WOODS,
Superintendent United States Capitol Building and Grounds.

REFRIGERATING PLANT.

OFFICE OF SUPERINTENDENT,
UNITED STATES CAPITOL BUILDING AND GROUNDS,
Washington, D. C., July 7, 1909.

HON. JAMES A. TAWNEY,
*Chairman Committee on Appropriations,
House of Representatives.*

DEAR SIR: Some four or five years ago I sent to Congress an estimate for a proposed refrigerating plant for the Capitol building, which would be sufficiently large to make all the ice required for the Capitol, and in addition, to cool the air furnished the Senate and House chambers, so that they could be made comfortable by the introduction of cool and dried air in case Congress was compelled to sit during hot weather.

The present heated term, and the extremely uncomfortable conditions in the Senate and House, have reminded me of the former proposition, and I respectfully request that your committee consider the matter during the present session of Congress, if possible. I believe, if appropriation was made at this session, that the installation might be completed by next December, or at least in time to take care of any uncomfortable conditions which might arise during the coming long session of Congress.

The heating, lighting, and power plant will no doubt be completed and in operation by December, and this will furnish the necessary power for the operation of the refrigerating machines. I would further suggest that if this installation be made in the Capitol building, it be extended to cover the Senate and House buildings.

I am sure that with such a plant we could produce all the ice necessary for the Capitol and Office buildings at a very much lower rate than is paid at the present time. In this connection I will furnish the committee a little later a memorandum of the amount of ice used at the Capitol and the average cost per ton, based upon the expenditures for the past fiscal year.

My estimate of the cost of this proposed installation is \$72,000, which would cover all machinery and appliances and the necessary structural and other changes in connection with the ventilating apparatus in each wing of the Capitol.

Very respectfully,

ELLIOTT WOODS,
Superintendent United States Capitol Building and Grounds.

HOUSE OFFICE BUILDING.

OFFICE SUPERINTENDENT
U. S. CAPITOL BUILDING AND GROUNDS,
Washington, D. C., May 19, 1909.

HON. JAMES A. TAWNEY,
*Chairman Committee on Appropriations,
House of Representatives.*

SIR: In the sundry civil act approved May 27, 1908, appropriation in the sum of \$26,000 was made for additional elevator service for the House Wing of the Capitol, and in harmony with that act two

elevators have been installed at the east entrance of the House Wing.

By force of necessity this office has been compelled to operate these elevators since the first of last December, and the question may arise as to the right exercised to pay for personal services of the operation, without some specific provisions under law.

I therefore respectfully suggest that in some deficiency bill which may possibly come before Congress during the extra session, that provision be made, making the unexpended balance of the above appropriation available for the payment of personal services for the operation of the elevators for the fiscal year 1909. In the last legislative bill provision has been made for the personal services necessary, but of course this does not become available until July 1 next.

Very respectfully,

ELLIOTT WOODS,
Superintendent United States Capitol Building and Grounds.

OFFICE BUILDING,
HOUSE OF REPRESENTATIVES,
Washington, D. C., June 15, 1909.

HON. JAMES A. TAWNEY,
*Chairman Committee on Appropriations,
House of Representatives.*

DEAR SIR: I transmit herewith for your information request of the House librarian, Mr. Boobar, for additional shelving at the House Office Building.

At the time the committee provided the sum of \$4,200 for steel shelving, by placing a paragraph in the census bill (which has not yet become a law), that particular item was for steel shelving in the basement of the building for the storage of surplus copies of volumes in the House library. Since that time arrangements have been made to install the House library in a more complete form in the House Office Building, necessitating the installation of shelving in the large room at the corner of New Jersey avenue and C street.

I have caused estimates to be made on this work and find that a further sum of \$4,500 will be required to complete the installation in the House Building, and I transmit Mr. Boobar's letter, with a strong recommendation that this additional sum be provided by the committee.

It will result in a very complete equipment at the House Office Building and will be a great convenience to the membership of the House, as I learn that now fully 90 per cent of the documents called for are wanted at the House Office Building and not at the Capitol.

Very respectfully,

ELLIOTT WOODS,
Superintendent United States Capitol Building and Grounds.

HOUSE OF REPRESENTATIVES LIBRARY,
Washington, June 15, 1909.

DEAR SIR: In the matter of installing a library and reading room in the House Office Building for the convenience of Members, as you know, \$4,200 for steel shelving has been provided for in the census bill, not yet passed. This, as I understand it, is for the shelving in the basement to take care of the reserve copies of volumes in connection with the library. In order to properly fit up the room which has been

assigned to the library, it will be necessary to install shelving of a better quality than that in the basement, sketches of which I have already furnished the drafting room. To the appropriation for the shelving in the library proper \$500 should be added for extra help that will be required to clean and shelve the books both in the library and in the basement. If all of this work, i. e., the shelving in the basement and in the library can be done practically at the same time, it will greatly aid me in my work of fitting up the reading room, as I shall have to draw largely upon my reserve copies, which at present are piled up and inaccessible.

I trust that the appropriation for all of this work may be made in time for me to go to work immediately upon adjournment of the present session, as it will be no small task to get this House Office library in shape for the assembling of Congress in December.

Very respectfully,

JNO. J. BOOBAR, *Librarian.*

Mr. ELLIOTT WOODS,
Superintendent of Capitol.

DEPARTMENT OF JUSTICE.

PAYMENT OF ASSISTANTS EMPLOYED BY ATTORNEY-GENERAL IN SPECIAL CASES.

STATEMENTS OF MR. ORIN J. FIELD, CHIEF CLERK, AND MR. J. A. MACKEY, DISBURSING CLERK, DEPARTMENT OF JUSTICE.

Mr. TAWNEY. Mr. Field, you are chief clerk of the Department of Justice. We have here an estimate to supply a deficiency in the appropriation for payment of assistants to the Attorney-General and to the United States district attorneys employed by the Attorney-General to aid in special cases for the fiscal year 1909, \$25,000. The fiscal year 1909 having now closed, can you state with any degree of certainty what the exact deficiency is?

Mr. FIELD. The appropriation for the year 1909, which was \$106,000, became exhausted by the end of March, and there have been no payments made under this appropriation since that time. There are carried under this appropriation a number of persons who are paid a stated compensation. Those persons have not been paid any compensation since the 1st of April, neither have their expenses been allowed.

Mr. TAWNEY. These are obligations, then, that now exist and have arisen since the 1st of March. In the aggregate, do they amount to \$25,000?

Mr. FIELD. The amount of salaries and expenses due the persons spoken of amount to about \$20,000, leaving about \$5,000 as a balance to meet other payments which will be for attorneys under this appropriation. Mr. Mackey, the disbursing clerk of the department, is here, and perhaps could tell you as to the number of accounts unpaid besides these salaries I have spoken of.

Mr. TAWNEY. Can you give us a statement, Mr. Mackey, of what will be required in addition to the stated salaries which aggregate about \$20,000?

Mr. MACKEY. I have the accounts here. R. P. Reese, \$1,024.35; Winfred F. Denison, \$500; Everit Brown, \$940; Ormsby McHarg, \$666.66.

Mr. LIVINGSTON. Have you any account in favor of Heney, of California?

Mr. MACKEY. No, sir; no account in favor of him.

Mr. TAWNEY. What is the aggregate that will be required to meet the payments for which the Government is already obligated for the fiscal year 1909?

Mr. MACKEY. Between \$6,000 and \$6,500. At the time these estimates were made up it was estimated that \$25,000 would be sufficient. Since then the Attorney-General has ordered payments to special counsel, which would run up to about \$6,000 to \$6,500 more than the \$25,000, making in all \$31,000 to \$32,000, which it appears now will be needed. Twenty thousand dollars covers salaries and expenses of assistant special attorneys who are on a stated compensation. Since the estimate was sent in the Attorney-General has ordered paid to those special assistant attorneys amounts aggregating about \$6,000 or \$6,500.

Mr. TAWNEY. That is in addition to the items that you mentioned a moment ago?

Mr. FIELD. I think I was in error. I was adding the \$6,000 to the \$25,000 heretofore asked for, but I should have added it to the \$20,000, making about \$26,000.

Mr. TAWNEY. As I understand you, Mr. Field, it will require about \$26,000 to meet the obligations of the Government on account of the payment of fixed compensation to assistant attorneys and on account of payments that must be made to attorneys where the compensation is determined by the Attorney-General?

Mr. FIELD. Yes, sir; that is correct. That covers everything up to this time. Of course, you understand that under this appropriation there are a number of special counsel and their compensation is determined from time to time and in six months from now there may be other claims come in, but these are all that we have up to this time.

Mr. TAWNEY. They amount to how much in the aggregate; have you figured up the exact amount?

Mr. FIELD. \$6,131.01, and that is to be added to the \$20,000. It would be impossible to figure it out accurately, because the eight or ten attorneys receiving stated salaries have expense accounts which have not yet been sent in; and so we can only estimate that there will be about that much. I should say that the \$26,000 would be ample to cover everything we have in sight at this time.

EMPLOYMENT OF MR. FRANCIS J. HENNEY.

Mr. TAWNEY. Mr. Field, are you acquainted with the employment of Mr. Francis J. Heney as special assistant to the Attorney-General?

Mr. FIELD. Yes, sir; in a general way, and I think I can give you all the information you desire.

Mr. TAWNEY. When was he first employed?

Mr. FIELD. He was first appointed in November, 1903, and from time to time he received as many as eight or ten appointments.

Mr. TAWNEY. He was first appointed in what case?

Mr. FIELD. In November, 1903, in the case of the United States v. McKinley, Puter, et al. That was one of the so-called "land-fraud" cases in Oregon.

Mr. TAWNEY. Was that case tried and disposed of?

Mr. FIELD. Yes, sir; that particular case has been disposed of.

Mr. TAWNEY. By trial?

Mr. FIELD. Yes, sir; by trial.

Mr. TAWNEY. Do you remember when it was disposed of?

Mr. FIELD. No; I do not remember the date it was disposed of; probably two years after that time.

Mr. LIVINGSTON. Did the Government win or lose that suit?

Mr. FIELD. The Government won that case and I think the defendants were all sent to the penitentiary. I am not familiar with the exact details, but that is my recollection.

His next appointment was in February, 1904, in the case of Proceedings to remove F. A. Hyde and others from California to the District of Columbia. That is commonly known as the Hyde-Benson case. Then, in October, 1904, he had an appointment in the case against Puter, McKinley, Ware, Watson, and others in Oregon. That was a case similar to the first appointment, but it involved other defendants. He had altogether eight or ten appointments.

Mr. KEIFER. I would like to ask if any of the appointments covered the office of United States district attorney?

Mr. FIELD. Yes, sir. From December 16, 1904, to January 9, 1905, a period of about three weeks, Mr. Heney held an appointment as assistant United States attorney for Oregon and for that service he was paid \$100.

Mr. BURLESON. One hundred dollars?

Mr. FIELD. Yes, sir; for that period of three weeks.

Mr. TAWNEY. That was the regular salary?

Mr. FIELD. Yes, sir. Then he served as United States attorney for Oregon from January 10, 1905, to December 1, 1905—that is, about ten and one-half months—for which he was allowed the regular salary of the district attorney, which for that period amounted to \$4,025. Of course, during this period of ten and one-half months he resigned his appointment as a special attorney; the appointment was suspended during that period.

Mr. TAWNEY. He drew no compensation as special assistant to the Attorney-General while serving as district attorney?

Mr. FIELD. Not during that period of ten and one-half months.

Mr. KEIFER. That covers his appointment as United States district attorney?

Mr. FIELD. Yes, sir; there was just that one appointment.

Mr. TAWNEY. Can you give us the date of his last appointment?

Mr. FIELD. The last appointment was on June 13, 1906, and he was employed to aid in the preparation and trial of such of the land-fraud cases in the circuit and district courts of Oregon as were not covered by his existing appointment as special assistant to the Attorney-General. There were 15 or 20 of those cases.

Mr. SMITH. You say that he was appointed in such cases as he was not already appointed in?

Mr. FIELD. Yes, sir; he was appointed to aid in the preparation and trial of such of the land-fraud cases in the circuit and district courts of Oregon as were not covered by his other appointments.

Mr. SMITH. Do I understand that there were still valid appointments in other cases?

Mr. FIELD. Yes, sir.

Mr. SMITH. You have not called our attention to those appointments?

Mr. FIELD. I have given a list of two or three and can give the others if you would like to have them appear in the record.

Mr. TAWNEY. Send us a list of the other appointments.

Mr. FIELD. Yes, sir; I will make a copy of the list and send it to you.

Mr. TAWNEY. Mr. Field, do you know whether Mr. Heney has rendered any service at all to the Government of the United States since the beginning of 1906?

Mr. FIELD. I do not know. I could not say positively whether or not he had.

Mr. BURLESON. You can say whether you know of any cases?

Mr. FIELD. There has been no activity in any of those cases for the last two or three years. Whether he has performed any service in connection with those cases I do not know. He has performed no active service for the last two or three years; that is, there have been no cases brought to trial. His appointment in those cases still continues; he is still retained in some of them and when the cases come to trial I suppose he will render some service.

Mr. BURLESON. Do you know whether the Attorney-General has issued an order to bring the cases to trial or to dismiss them?

Mr. FIELD. No, sir.

Mr. LIVINGSTON. Can you ascertain that fact? We are informed that he has either ordered the cases brought to trial or to dismiss them.

Mr. FIELD. Yes, sir.

Mr. TAWNEY. It is matter of common knowledge that for the last two years Mr. Heney has been actively engaged in the trial of cases in the city of San Francisco for the violation of state laws?

Mr. FIELD. Yes, sir. He is still retained as attorney in several of these cases, but there has been no active service rendered.

Mr. TAWNEY. I have a statement furnished by the Attorney-General of the amounts paid as compensation to Francis J. Heney, special assistant to the Attorney-General, giving the amounts paid each year and the aggregate, from which it appears that Mr. Heney was paid \$23,000 in the calendar year 1908, and during that year there was no active service rendered. I would like to ask whether either of the two last payments, one of July 6, 1908, \$10,000, and one of January 21, 1909, \$5,000, were paid out of the appropriation for 1909?

Mr. FIELD. No, sir; there has been nothing paid to Mr. Heney out of the appropriations for 1909 or 1908.

Mr. TAWNEY. Then, this deficiency does not arise by reason of any payment made to him out of the appropriation for 1909?

Mr. FIELD. No, sir. While there have been payments made, they were made from appropriations for years prior to 1908. The appropriations for 1908 and 1909 have not been used to make payments to Mr. Heney.

Mr. LIVINGSTON. Have not the old appropriations lapsed and gone back into the Treasury?

Mr. FIELD. Two of those payments were made upon a special deficiency made to meet that purpose.

Mr. TAWNEY. The total amount which Mr. Heney has received from July 16, 1904, to January 21, 1909, both inclusive, is \$65,000?

Mr. FIELD. Yes, sir; that is correct.

Mr. TAWNEY. That is in addition to the compensation he received as United States district attorney or assistant district attorney?

Mr. FIELD. Yes, sir; for ten months at one time and three weeks at another time.

Mr. LIVINGSTON. You do state distinctly that he was the district attorney and was also employed as a special attorney in cases which are still pending?

Mr. FIELD. He resigned as special attorney during the time that he held the office of regular United States attorney and was then reappointed afterwards.

Mr. TAWNEY. Can you give us the exact dates that he served as assistant district attorney?

Mr. FIELD. He served as assistant district attorney from December 16, 1904, to December 9, 1905.

Mr. TAWNEY. And during that time he was paid \$9,000 for services as assistant to the Attorney-General?

Mr. FIELD. That payment covered his services in those cases prior to that time. Mr. Heney, the same as a number of other special counsel are employed, was employed in those cases and compensation was determined from time to time and paid as a fee or retainer to cover services which may have been rendered over a period of one or two or more years.

Mr. TAWNEY. Do you know whether Mr. Heney has not rendered any active service to the department for the last three years? He was paid \$23,000 in 1908?

Mr. FIELD. That payment was made on account of services rendered in prior years.

Mr. LIVINGSTON. Can you take the \$23,000 paid in 1908 and trace it down to services performed in 1906 or 1907, or whenever they were rendered, and show just what the money was paid for?

Mr. FIELD. I do not think so. The amounts paid Mr. Heney from time to time were, on account of his services, considered altogether. His accounts or claims for compensation from time to time do not cover any specific period of time, and I do not think it would be possible to say that this \$23,000 paid in 1908 and 1909 was on account of services performed within specified dates.

Mr. TAWNEY. Since the first appointment of Mr. Heney in November, 1903, and up to January 21, 1909, the entire compensation received by him as district attorney and also as assistant to the Attorney-General amounts in the aggregate to about \$70,000?

Mr. FIELD. Yes, sir; \$69,175.

Mr. KEIFER. That includes his special employment and everything?

Mr. FIELD. Yes, sir.

Mr. TAWNEY. Then, as I understand you, his services for the Government in the trial of these cases began in November, 1903, and continued until about 1906?

Mr. FIELD. Yes, sir; I should say that was about correct.

Mr. TAWNEY. Covering a period of active service of about two years?

Mr. FIELD. With the understanding that he is still retained in those cases.

Mr. TAWNEY. Yes, sir. But this deficiency, as I understand you, is not due in any respect to Mr. Heney's services?

Mr. FIELD. Mr. Heney's services have nothing to do with the deficiency.

Mr. LIVINGSTON. How could you pay for services rendered in 1903, 1904, 1905, and 1906 out of deficiency appropriations for 1908 and 1909?

Mr. FIELD. In the years 1908 and 1909 deficiencies for the prior years were made and he was paid from those deficiencies.

DEPARTMENT OF JUSTICE, OFFICE OF THE CHIEF CLERK,
Washington, April 26, 1909.

Mr. J. C. COURTS,

Clerk Committee on Appropriations, House of Representatives.

MY DEAR MR. COURTS: In accordance with your request by telephone on Saturday, the 24th instant, I beg to send herewith a statement showing the payments from the appropriation "For pay of special assistant attorneys" for the fiscal year 1908; also a statement showing the amounts paid as compensation to Francis J. Heney, esq., special assistant to the Attorney-General, from 1904 to date.

The statement of payments made from the appropriation "For pay of special assistant attorneys for the fiscal year 1909" will be ready in about an hour, and I will send it up as soon as completed.

By direction of the Attorney-General.

Very truly, yours,

O. J. FIELD, Chief Clerk.

Statement of amounts paid as compensation to Francis J. Heney, special assistant to the Attorney-General.

Fiscal year 1904:	
July 16, 1904.....	\$5, 000
March 10, 1905.....	4, 000
Fiscal year 1905:	
March 10, 1905.....	3, 500
August 10, 1905.....	4, 615
Fiscal year 1906:	
August 10, 1905.....	385
February 13, 1906.....	7, 500
August 24, 1906.....	7, 000
August 9, 1907.....	5, 000
March 2, 1908.....	8, 000
Fiscal year 1907:	
December 26, 1907.....	5, 000
July 6, 1908.....	10, 000
January 21, 1909.....	5, 000
Total.....	65, 000

Mr. BURLESON. I notice that you are asking for certain legislation in this bill: "This appropriation shall be available also for the payment of foreign counsel employed by the Attorney-General in special cases?"

Mr. FIELD. That is a repetition of the language that has been in force for several years.

Mr. BURLESON. Is any of this appropriation to cover the expense of prosecuting the cases against Joseph Pulitzer and Delavan Smith?

Mr. FIELD. I can not answer that question offhand; I would have to look it up.

Mr. BURLESON. I wish you would look up that matter and put into the record who has been employed by the Government, if anyone, to prosecute the cases against Delavan Smith and Joseph Pulitzer, the amounts paid them, and the amounts contracted to be paid them.

Mr. FIELD. Yes, sir.

Mr. TAWNEY. Will you kindly furnish us with a statement of the number of cases actually tried by Mr. Heney and the title of the cases, both as district attorney and as special assistant to the Attorney-General, and the number of cases in which he has been retained which have not been settled?

Mr. FIELD. Yes, sir.

Mr. TAWNEY. Does the department maintain an office in San Francisco for Mr. Heney at the present time?

Mr. FIELD. No, sir; the department has never done so. His San Francisco office is his private office. The department has never furnished him with individual quarters.

Mr. TAWNEY. Has the department furnished him with any supplies, such as stationery?

Mr. FIELD. No, sir; nothing whatever.

Mr. KEIFER. The department probably did send him some supplies as district attorney or as assistant district attorney?

Mr. FIELD. If so, he drew the supplies from the district attorney's office.

Mr. LIVINGSTON. Has he been paid mileage or expenses of that kind?

Mr. FIELD. Mr. Heney has never rendered any expense account. That is, the amounts paid him, while they are as retainers or fees, also include his expenses. He has never rendered any expense account as such.

RENT OF BUILDINGS.

Mr. TAWNEY. Is there anything else you would like to present to us?

Mr. FIELD. I would like to speak for a moment about the item for additional rent, at the top of page 13, as there is a slight change there. That paragraph includes the rent of the building that we talked of renting at \$1,800 per annum for fourteen months, or \$2,100, which was estimated for from the 1st of May last. Of course that amount is not now necessary. There is attached to the house and immediately back of the main building of the department a stable which we would like very much to get for storage purposes, and the amount of that rent would be \$300. So, if this item can be left as it is, but the wording changed so as to include the house and stable, we could also rent the stable without any increase in the amount. The stable is a separate property and does not go with the house.

Mr. TAWNEY. You could do that under this language if it read: "For rent of additional buildings or parts of buildings in the District of Columbia?"

Mr. FIELD. Yes, sir; that would cover it.

Mr. TAWNEY. You would not need \$4,125?

Mr. FIELD. We will not need that amount. That includes \$2,100 at the rate \$1,800 for the year.

Mr. TAWNEY. The building is to cost how much?

Mr. FIELD. The building \$1,800 and the stable \$300.

Mr. TAWNEY. That will be \$2,100 a year?

Mr. FIELD. Yes, sir.

Mr. TAWNEY. For the fiscal year 1910?

Mr. FIELD. Yes, sir. The amount in the bill includes that item for fourteen months, and now we will need it only for ten months,

assuming that the appropriation will not become available before August or September.

Mr. TAWNEY. So that \$2,100 would cover the amount that you need?

Mr. FIELD. Yes, sir.

Mr. TAWNEY. I would like to have you give us some information as to the necessity for this additional building.

Mr. FIELD. The present buildings of the department are overcrowded and I have no place to put any more people that may be employed, and frequently we have them.

Mr. TAWNEY. Some of the rooms are very much overcrowded now?

Mr. FIELD. Yes, sir. Besides the main floors of the buildings, which are old residences, we are using the attics which consist of 2-by-4 servants' rooms; several of them are without any heat in the winter and we have to put in gas stoves or electric heaters and to provide for any growth of the department, it is absolutely necessary to have more space.

Mr. TAWNEY. The people are housed in rooms in the attic, which are insanitary and have no ventilation?

Mr. FIELD. Yes, sir. There are three or four people crowded in a little 2-by-4 bedroom. I may also say on this question that within the last year I have had to tear out the fixtures in three or four bathrooms which were in the old hotel and turn them into offices, so that we frequently have people working in bathrooms. Most of the library is over at the Court of Claims building, some distance away, and the Attorney-General is very anxious to bring some of the books over to the main building, but we can not do it at the present time, because there is no place to put any of them.

NATIONAL TRAINING SCHOOL FOR BOYS.

DEPARTMENT OF JUSTICE,
OFFICE OF THE ATTORNEY-GENERAL.

Washington, D. C., April 8, 1909.

HON. JAMES A. TAWNEY,
House of Representatives.

DEAR MR. TAWNEY: The president of the board of trustees of the National Training School for Boys has spoken to me with regard to the urgent need of that institution for an additional appropriation of \$3,000 for general support during the current fiscal year. The necessity for this appropriation has arisen, he informs me, in the following way:

During the period from September to December, 1908, there was an outbreak of diphtheria in the school, affecting from 50 to 60 boys. In consequence, the whole school population had to be immunized. This temporarily moderated the disease, but a second outbreak taking place, the whole school was again immunized. During this time all cases had to be isolated, and as the combined result of the treatment, immunizing, and isolation, largely increased expenditures became necessary.

Furthermore, owing to excessive rains in the early summer of 1908, followed by protracted drought in the latter part of that sum-

mer, the farm failed to yield anything like the usual supplies. This was especially true of the potato and cabbage crops.

In addition to the above, the average daily population of the school during the present fiscal year has been about 40 boys more than usual.

None of these conditions could have been foreseen or provided against, and hence the necessity for the additional appropriation.

Mr. Shuster tells me he has spoken to you about the subject, and I trust that you can see your way clear to procure this needed appropriation.

Respectfully,

GEO. W. WICKERSHAM,
Attorney-General.

DEPARTMENT OF COMMERCE AND LABOR.

ELLIS ISLAND IMMIGRANT STATION, NEW YORK.

STATEMENT OF WILLIAM L. SOLEAU, DISBURSING CLERK.

Mr. TAWNEY. The Secretary of the Department of Commerce and Labor has submitted an estimate as follows:

Ellis Island Immigrant Station, New York: For the complete medical, surgical, and other equipment and usual hospital findings for the contagious-disease hospital, \$28,100.

Mr. SOLEAU. Yes, sir. Some years ago the Appropriation Committee of the House recommended to Congress the erection of these hospitals and appropriated from time to time \$765,000 for the purpose of building them, but that did not include the equipping of them all. Now the last group has been completed and is ready for the receipt of patients, provided we get this equipment. The immigrant aliens received at Ellis Island now who are suffering from contagious diseases are received by courtesy at the hospitals in the city of New York and vicinity. The hospitals are not required to receive them and they are constantly threatening to stop taking them. For example, in 1908 there were 943 cases of measles received at Ellis Island that we had to take care of until the cases were cured, 39 cases of diphtheria, and 119 cases of scarlet fever. These alone were enough to infect the whole city of New York had the contagion spread. The hospitals are constantly asking that we do something to care for these cases elsewhere, and some of them have said that if we do not take care of contagious-disease cases they will refuse to receive them.

Mr. TAWNEY. Are the cases of contagious disease of common occurrence or exceptional?

Mr. SOLEAU. There is a case now and then all the time. Persons will start from Europe or from some other point apparently in perfect health, and by the time they reach Ellis Island contagious disease will have developed, and we are compelled to take care of such cases.

Mr. SMITH. What is the aggregate number in a year?

Mr. SOLEAU. There were 1,101 in 1908, which was a low year in immigration—943 of measles, 39 cases of diphtheria, and 119 cases of scarlet fever, making a total of 1,101.

Mr. KEIFER. During the calendar year?

Mr. SOLEAU. No; during the fiscal year. The reports were not complete for the year just expired.

Mr. BURLESON. Heretofore the cases have been cared for in the New York hospitals?

Mr. SOLEAU. Yes, sir.

Mr. SMITH. The number of patients would not average over 70 or 80 a day at the outside?

Mr. SOLEAU. We might have a hundred cases there at one time.

Mr. SMITH. Have you any information as to what the maximum number is?

Mr. SOLEAU. No, sir.

Mr. SMITH. If you should allow the patients three weeks apiece that would probably be sufficient?

Mr. SOLEAU. Scarlet fever runs for eight weeks.

Mr. SMITH. Not often.

Mr. SOLEAU. The danger from contagion, as I understand, is not until the convalescent period is reached.

Mr. SMITH. But you would not need the appliances or hospital accommodations. You might need an isolation place for them. You would not need to keep them in the hospital all the time?

Mr. SOLEAU. This appropriation is estimated for the isolation ward; the rest is completed.

Mr. SMITH. We are well aware of that. You are asking for \$28,000 for contagious-disease appliances?

Mr. SOLEAU. Yes, sir.

Mr. SMITH. Do you not think that \$28,000 is an unreasonable amount for appliances for a hospital that would probably never have a hundred patients in it?

Mr. SOLEAU. That is for the appliances, the bedding, and everything else.

Mr. SMITH. If you had 100 patients there, would not \$28,000 be an extremely large amount, without some knowledge of what the extreme limit is?

Mr. SOLEAU. These figures were submitted after a most careful consideration of the whole question by the commissioner at the port and the Public Health and Marine-Hospital surgeon in charge, and we have a complete list of the things required, if you think that that is necessary to go into the record.

Mr. SMITH. It does not seem to me from your statement that you could possibly have over a hundred patients there, and that would be \$280 apiece for appliances. It seems to me that is unreasonable.

Mr. SOLEAU. I do not think so.

Mr. TAWNEY. Is there not an appropriation available for 1910 for this equipment?

Mr. SOLEAU. No, sir. The department has consistently held that no new building could be equipped without the consent of Congress.

Mr. TAWNEY. Was not the equipment provided for in the current sundry civil appropriation bill?

Mr. SOLEAU. No, sir.

Mr. TAWNEY. Why was not this item estimated for?

Mr. SOLEAU. At that time it was thought that probably the whole work could be done out of the appropriation for the buildings, but that money has been used and there is nothing left.

Mr. TAWNEY. The buildings are now completed?

Mr. SOLEAU. Yes, sir; and they are ready to put the equipment in.

Mr. LIVINGSTON. If \$28,000 is excessive as compared with the number of patients, the error was in making the building too large?

Mr. SOLEAU. If that were so; yes, sir. This will only equip the isolation wards and I am satisfied that it will not overequip them.

Mr. SMITH. It may be that the wards being built for the future are in excess of the immediate needs?

Mr. SOLEAU. Suppose there are 20 rooms in these isolation wards and we have 20 cases, we would have to have 20 equipments to take care of them.

Mr. SMITH. Suppose it should turn out on the other hand that we had built a building adequate for a thousand patients and you never had over 100, do you think it would be advisable to provide the entire equipment?

Mr. SOLEAU. No, sir; but this estimate was made by the men in charge. They say the equipment will be necessary for the immediate needs of the hospital. You might have the rooms closed for five months, but you would need them when you had the 20 cases, and there are times when we have 100 cases or more.

Mr. KEIFER. How many diseases?

Mr. SOLEAU. All the contagious diseases, and you must keep them separate.

Mr. SMITH. If you had 100 cases there you would not need all the rooms?

Mr. SOLEAU. Yes, sir.

Mr. SMITH. It must be very extravagant hospital construction if it will not accommodate 100 people. What did it cost?

Mr. SOLEAU. Seven hundred and sixty-five thousand dollars, including the contagious-disease hospital group.

Mr. SMITH. Do you say that we have built that sort of a hospital that will not accommodate over 100 patients?

Mr. SOLEAU. No, sir. You spoke of the number of patients that might be brought there at one time.

Mr. SMITH. It is all right to build a hospital and allow for some future growth of business. Have you any information as to the highest number of contagious-disease patients you ever had there at one time?

Mr. SOLEAU. I will furnish that.

Mr. SMITH. And also the capacity of the hospital?

Mr. SOLEAU. Yes, sir.

Mr. LIVINGSTON. Have you not other patients there?

Mr. SOLEAU. Yes, sir; and other hospital accommodations. This is a building for the contagious-disease wards.

Mr. SMITH. Also please furnish the maximum number of patients treated there at any one time for contagious diseases and the capacity of the contagious-disease hospital. If they never use over a fourth of the hospital, we do not care to furnish the whole hospital now.

Mr. KEIFER. I wish you would add the basis of the estimate for cost. You said you had the items?

Mr. SOLEAU. We have.

Mr. SMITH. This estimate is to supply the entire hospital?

Mr. SOLEAU. The entire contagious-disease group. We have other hospitals there.

Mr. SMITH. I understand. If it turns out that your maximum number is never over a fourth of the capacity, then it would not be advisable to give you all the money now?

Mr. SOLEAU. I feel this way. If the whole hospital group as now built is not necessary, then a gross mistake was made.

Mr. SMITH. I think the hospital should have been built to cover future growth, but I do not think it would be wise to furnish every room in the hospital far in excess of the present needs.

Mr. SOLEAU. It must be apparent that we are compelled to furnish the contagious-disease group to take care of the maximum number of cases, and just as soon as the hospitals in the city of New York and in Jersey City find out that we have the contagious-disease wards they will not take such cases.

Mr. SMITH. The maximum will probably cover what you had when you had a million immigrants?

Mr. SOLEAU. I will say on the basis of May and June that we will have a million next year without any trouble.

Mr. SMITH. I am not inclined to quarrel with anyone.

Mr. SOLEAU. I understand. I want to give you all the information I can.

Mr. SMITH. If we have allowed for some growth of the hospital there is no necessity for furnishing it all now.

Mr. KEIFER. Would it not cost as much to equip this hospital for 100 patients as for 300 patients?

Mr. SOLEAU. Yes, sir.

Mr. SMITH. You do not mean that?

Mr. SOLEAU. Yes, sir; there is no doubt in my mind about it.

Mr. SMITH. I am satisfied that you will not adhere to that statement on cross-examination.

Mr. SOLEAU. I am satisfied that we would have to have the same medical equipment.

Mr. KEIFER. I agree with you about it.

Mr. SOLEAU. I want Mr. Smith satisfied if I can possibly get the information.

Mr. TAWNEY. The next item is, "For the purchase and installation of additional engines, electric generators, switchboards," etc.

Mr. SOLEAU. In the last seven or eight years the cubical contents of the buildings on Ellis Island have almost doubled—that is to say, the original buildings had 3,784,000 cubic feet of contents and the recently constructed buildings, for which we need this power and light and heat, have 3,198,000 cubic feet. The power plant as at present constituted is supposed to take care of the old and new conditions, but it can not do it for the simple reason that when the original power plant was installed it was on the basis of the immediate needs. We have been adding here and there and have increased the load on the plant so that we have just simply worked it to the limit and if it does not get relief it is liable to fail at any moment, and in the fall we will not be able to do any work at all on very cloudy days and we will have to shut down unless the plant is increased. As it is now in the winter time the four big electric dynamos used for heating by blowing air over steam pipes can't be used, as the power necessary to run them can not be spared. We can not get any ventilation. We have shut them down to supply the lights and the other power needed in the laundries, and heat.

Mr. TAWNEY. When were the dynamos installed?

Mr. SOLEAU. In 1900. The trouble is that we have been adding to the plant all the time and have paid no attention to the need of increase in the power plant.

Mr. TAWNEY. You have not increased your power plant since 1900?

Mr. SOLEAU. No, sir.

Mr. TAWNEY. What do you say the increase in the load has been?

Mr. SOLEAU. Figuring it on the cubical contents, it has doubled.

Mr. TAWNEY. Was the power plant originally constructed with a view to carrying the entire load, including the new buildings?

Mr. SOLEAU. No, sir. The new buildings were not thought of. The third island had not been built at all. We are now absolutely without any relief machinery. If the present machinery collapses the whole establishment must shut down. There is no way of getting cables from New York or Jersey City without large expense.

Mr. TAWNEY. Is this for the purpose of having a reserve plant?

Mr. SOLEAU. We are going to keep the old plant for reserve and it will be ample. There should not be any more trouble about the power plant for some years to come, or until it is worn out. We contemplate moving one battery of the old boilers over to Island No. 3 and hold it for reserve.

Mr. TAWNEY. How many boilers do you contemplate installing; what are the details?

Mr. SOLEAU. A battery of two very large boilers in the place of two very small ones.

Mr. TAWNEY. What is the capacity?

Mr. SOLEAU. It is estimated to be ample for the entire work. One 350-horsepower turbo-generator with necessary foundations, steam and electric and exhaust connections, and 2,150-horsepower turbo-generators, with necessary foundations, steam and electric and exhaust connections.

Mr. TAWNEY. In the judgment of your department it is necessary for this appropriation to be made as soon as possible?

Mr. SOLEAU. Yes, sir. We first thought of holding the estimates back until December, but now find that the situation is so grave that the money should be appropriated at once.

Mr. TAWNEY. But you can not wait until December?

Mr. SOLEAU. No, sir. The Secretary thinks it would be very dangerous to wait one minute, because if the plant should break down there would be trouble which we could not overcome in two weeks or a month. We are without any relief machinery. It takes every bit of machinery there to do the work in the summer without any reference to the winter work, when additional lighting is required, and the buildings must be heated. Of course, you understand that the additional buildings have just been completed and they never have been lighted in the winter and never heated. We did our very best to keep this estimate back until December, but the grave condition has simply forced on the Secretary the necessity to make the estimate now. When it first came in the office he refused to send it to Congress until December, but additional information very recently received justified him in submitting it now.

Mr. SMITH. When you make up the statement regarding the hospital please insert the amount of the estimate for the staff house furniture and equipment and the amount for the operating room. I see this equipment practically contemplates 600 patients in the hospital.

Mr. SOLEAU. Yes, sir.

DEPARTMENT OF COMMERCE AND LABOR,
OFFICE OF THE SECRETARY,
Washington, July 2, 1909.

Hon. JAMES A. TAWNEY,
House of Representatives, Washington, D. C.

MY DEAR MR. TAWNEY: In conformity with the request of your committee, at the hearing on July 1 upon the question of appropriating the sum of \$28,000 to completely equip the contagious-disease hospital at the immigration station, Ellis Island, N. Y., I have the honor to submit the following information, viz:

The maximum capacity of the contagious-disease hospital is 500 patients, and as it is ascertained that the maximum number of such cases detained at outside hospitals during the past three years aggregated 430 at one time, it is obvious that the margin of 70 cases is a very small one, when it is considered that great uncertainty exists as to the extent to which contagion may have gone upon any one vessel during the voyage from Europe.

The estimated cost of furnishings for the staff house is \$2,000 and for the operating room \$1,500.

Your attention is invited to the fact that these hospitals will be used for the treatment of diseases of a highly contagious character, and for this reason it will be impracticable to get workmen to install any part of the equipment after the hospitals have been opened for the reception of patients.

Very truly, yours,

CHARLES NAGEL,
Secretary.

Statement of immigrant fund.

Balance in immigrant fund, July 1, 1908.....	\$550,917.04
Amount appropriated by deficiency act, approved March 4, 1909.....	600,000.00
Amount authorized by law to be added to this fund during the fiscal year ending June 30, 1909, provided the head tax collections reach or exceed that amount.....	2,500,000.00

Total available amount for use during fiscal year 1909.....	3,650,917.04
-------------------------------------------------------------	--------------

Charges fixed by law to be deducted from this amount:

Pay of assistant attorneys, etc., in naturalization cases (under Department of Justice).....	\$150,000
Salaries, Bureau of Immigration and Naturalization, 1909....	64,940
Public Health and Marine-Hospital Service.....	200,000
Immigrant station, Ellis Island, N. Y., for dredging.....	65,000
Ferry steamer, San Francisco, Cal.....	115,000
Boarding cutter, San Francisco, Cal.....	25,000
Enforcement of the Chinese exclusion act, 1909.....	500,000

Total.....	1,119,940.00
------------	--------------

Balance available to pay salaries and expenses during fiscal year 1909.....	2,530,977.04
Estimated expenditures for Immigration Commission....	\$358,462.88
Estimated disbursements for Immigration Service during fiscal year ending June 30, 1909.....	2,032,917.87
	2,391,380.75

Balance July 1, 1909.....	139,596.29
---------------------------	------------

Estimated disbursements after July 1, 1909:

Salaries June 16 to 30, 1909.....	\$55,666.39	
All other expenses.....	58,178.72	
		<u>\$113,845.11</u>
Balance.....		25,751.18
Estimated amount of repayments.....		<u>85,013.07</u>
Estimated unexpended balance of fund.....		110,764.25

Head tax collections, 1909.

[Figures from Bureau of Immigration and Naturalization.]

1908:		
July.....	\$112,352	
August.....	128,032	
September.....	170,756	
Total for quarter.....		<u>\$411,140</u>
October.....	212,506	
November.....	151,806	
December.....	211,500	
Total for quarter.....		<u>575,812</u>
1909:		
January.....	176,364	
February.....	287,548	
March.....	440,460	
Total for quarter.....		<u>904,372</u>
April.....	510,584	
May.....	418,406	
		<u>928,990</u>
Total for 11 months.....		<u>2,820,314</u>

DELAWARE RIVER LIGHTS.

HOUSE OF REPRESENTATIVES,
Washington, D. C., April 10, 1909.

HON. JAMES A. TAWNEY,
*Chairman Committee on Appropriations,
 House of Representatives.*

MY DEAR MR. TAWNEY: I inclose you a letter from Capt. H. T. Mayo, naval secretary Light-House Board, in reference to the two post lights on the Delaware River between Bordentown and Trenton, which were authorized under the omnibus light-house act approved May 14, 1908, but for the maintenance of which no appropriation has been made for the fiscal year ending June 30, 1910.

I should appreciate it very much if you will give the matter attention.

Sincerely, yours,

IRA W. WOOD, M. C.

DEPARTMENT OF COMMERCE AND LABOR,
LIGHT-HOUSE BOARD,
Washington, April 7, 1909.

HON. IRA W. WOOD,
House of Representatives, Washington, D. C.

SIR: The board has the honor to acknowledge the receipt of your letter of April 3, 1909, relative to the appropriation for two post lights on the Delaware River between Bordentown and Trenton, established under the omnibus light-house act approved May 14, 1908.

In reply the board states that an estimate for the Delaware River between Bordentown and Trenton was contained in its estimates for the fiscal year 1910 under the appropriation of "Lighting of rivers." The board notes, however, that the sundry civil bill, as passed in the last session of Congress, did not contain this item. The board, therefore, is only able to suggest that you offer an amendment to the next sundry civil bill, under the appropriation "Lighting of rivers," as follows: "Delaware River between Philadelphia, Pa., and Trenton, N. J.," or obtain a special appropriation for the maintenance of the lights in question.

Respectfully,

H. T. MAYO,
Captain, U. S. Navy, Naval Secretary.

HOUSE FOLDING ROOM.

HOUSE OF REPRESENTATIVES,
OFFICE OF CHIEF CLERK,
Washington, D. C., May 19, 1909.

HON. JAMES A. TAWNEY,
House of Representatives.

DEAR SIR: I respectfully request that an appropriation of \$4,550 be made to furnish and set in place in complete working order in basement of House Office Building the equipment for the folding room of the House of Representatives.

I also request that an appropriation of \$3,300 be made to pay for the removal of the books from the annex folding room, 70 L street NE., to the House Office Building. When this is done we will discontinue the use of the building now used for the annex folding room at a rental of \$5,000 per annum.

Yours, very truly,

WM. J. BROWNING,
Chief Clerk.

GOVERNMENT PRINTING OFFICE.

AUTHORITY TO CONSTRUCT A BRIDGE ACROSS JACKSON ALLEY CONNECT-
ING THE OLD AND NEW PRINTING OFFICE BUILDINGS.

OFFICE OF THE PUBLIC PRINTER,
Washington, June 30, 1909.

SIR: I am of the opinion that the expenditures for nonproductive labor in the Government Printing Office can be decreased by the installation of a bridge and ramp across Jackson alley to connect

the third floor of the new building with the third floor of the old building, and the installation of a book carrier across Jackson alley to connect the fourth floors of the new and old buildings, as shown on Plan GB-691, transmitted herewith.

The third floor and a portion of the second and fourth floors of the old Government Printing Office building are now used for the storage of unfinished product. The folding machines are located on the Jackson alley side of the third floor of the new building. After the printed sheets are folded they are tied in bundles and taken on hand trucks by way of the route marked "A-B," shown on plan, to the third floor of the old building. Then, later, all of these bundles must be brought back on hand trucks by way of the same route, and delivered to the fourth floor of the new building. The force of laborers engaged in the performance of this work can be reduced more than one-half by the installation of the proposed bridge and conveyor. Our paper warehouse and stores are located on the first floor, and a portion of the second floor of the old building; and all paper and supplies must be transported to the new building by means of the lift and narrow tunnel under Jackson alley, shown on the route "A-B," causing congestion and the intermingling of the force of laborers employed in different divisions of the Office.

The appropriation act for the fiscal year ending June 30, 1909, permits the Public Printer to purchase the ramp, but he is not authorized to construct the bridge necessary for the purpose of supporting and inclosing the machine.

On May 10, I submitted the matter to the Senate Committee on Printing, and the committee unanimously approved of the installation of the bridge, and agreed to recommend favorably the insertion of an amendment in an appropriation bill at the earliest possible opportunity, the amendment to read, in substance, as follows:

That the Public Printer be, and he is hereby, authorized to construct a steel bridge across Jackson alley connecting the Government Printing Office buildings, provided that the total cost thereof shall not exceed one thousand dollars.

If the proposition meets with your approval, I respectfully request that you assist in securing for me authority from Congress to construct the bridge.

Yours, respectfully,

SAM'L B. DONNELLY,
Public Printer.

HON. JAMES A. TAWNEY,
*Chairman Appropriations Committee,
House of Representatives, Washington, D. C.*

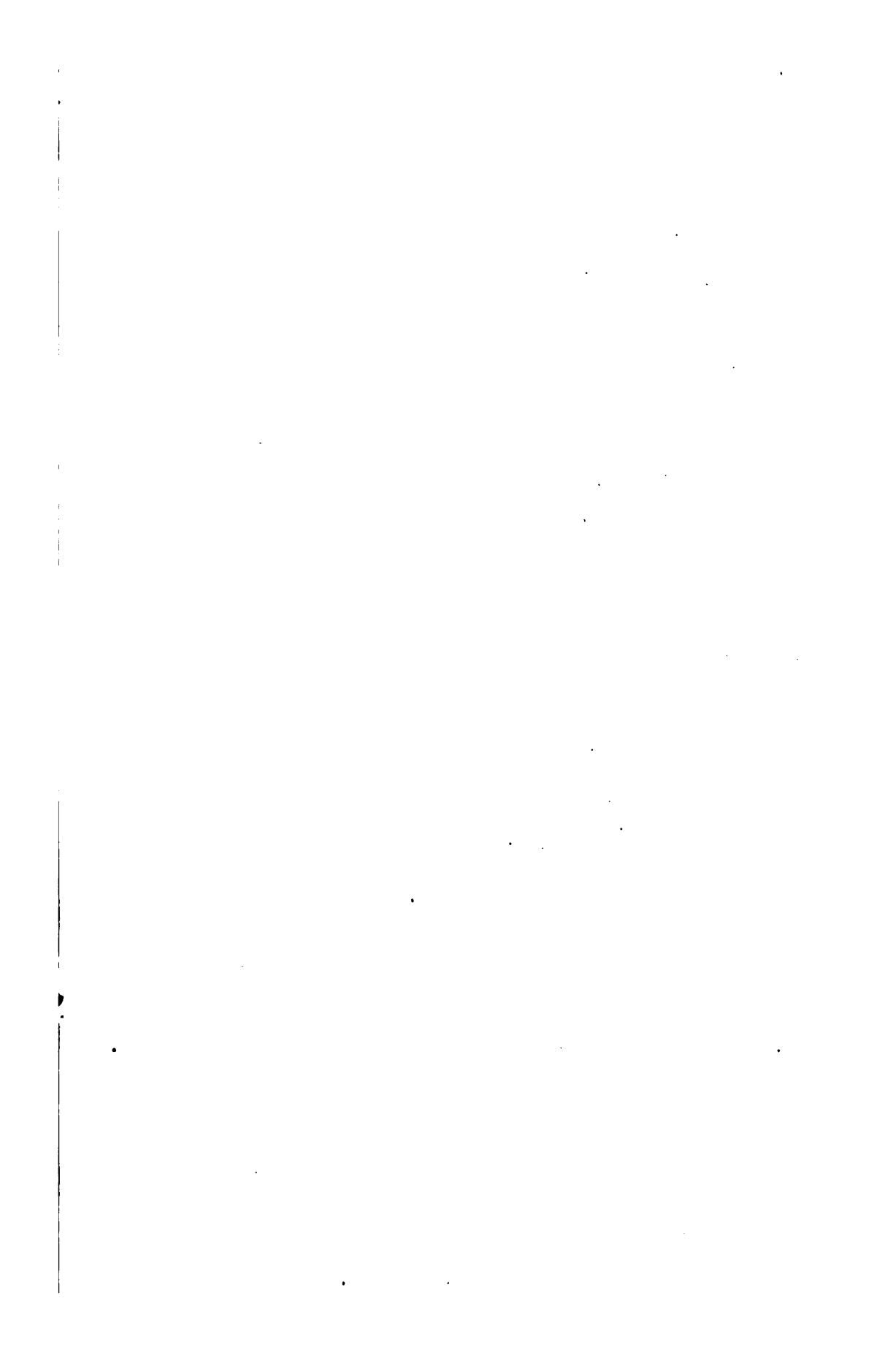
INDEX.

	Page.
Accounting, new system of.....	5, 7, 8, 15, 19, 20, 23, 25, 54, 55
Acting chief clerk, Indian Office.....	91
Acting Commissioner of Indian Affairs.....	95
Acting Supervising Architect.....	114
Andrews, W. E.....	55
Army, subsistence of.....	130
Assistants employed by the Attorney-General in special cases, payment.....	137
Attorney-General.....	145
Auditor for the Treasury Department.....	55
Barrows, ———, defalcation of.....	7
Bartlett, J. Kemp, statement of.....	4
Board of Children's Guardians.....	119, 126
Board of Charities, secretary.....	119
Bonds, forms of.....	48, 49
Bonds, instructions relative to acceptance when executed by surety companies.....	82
Bonds of:	
Indian agents.....	5
Paymasters (navy).....	6
Bonds, liability of sureties for acts of subordinates.....	48
Bonds, number written annually by the Government.....	81
Bonds of postal officers and employees.....	88, 89
Bond, S. Hazen, statement of.....	47
Boobar, John J.....	137
Bordentown and Trenton lights, Delaware River.....	151
Browning, William J.....	152
Brussels Exposition.....	99
Bureau of Engraving and Printing building.....	115
Capital, undivided profits, surplus, etc., of various surety companies.....	85
Capitol building, purchase of Walter's plans.....	133
Charities, District of Columbia.....	119
Chief accounts division, Indian Office.....	90
Chief clerk, Department of Justice.....	137, 142
Chief Clerk, House of Representatives.....	152
Chief clerk, Indian Office.....	91, 93, 97
Children's Guardians, Board of.....	119, 126
Cisco, John A.....	119
Classification of business.....	27, 28
Commerce and Labor, Department of.....	145
Commissary-General of the Army.....	130
Comptroller of the Treasury.....	65
Concealment of defalcations.....	37
Contingent liability.....	5, 13, 15, 19, 23, 24, 25, 26, 27, 34, 36, 37
Cortelyou, George B.....	81, 84, 113
Cosby, Spencer.....	106, 107
Deering, Paymaster.....	98
Defalcations, concealment of.....	37
Defalcation of ——— Barrows.....	7
Delaware River lights.....	151
Department of Justice—	
Assistant attorneys, employment.....	137
National Training School for Boys.....	144
Rent of buildings.....	143
Department of Commerce and Labor.....	145
Dimick, H.....	90
Dividends of surety companies.....	10, 35, 37, 38, 39, 43, 44

	Page.
Donnelly, Samuel B.....	153
Disbursing clerk, Department of Commerce and Labor.....	145
Disbursing clerk, Department of Justice.....	137
District of Columbia—	
Board of Children's Guardians.....	119, 126
Charities.....	119
Industrial Home School.....	122
Ellis Island Immigrant Station, N. Y.....	145
Executive Office building.....	106
Expenses of surety business.....	10, 11, 12
Experience of companies, interchange of.....	28
Exposition at Brussels, Belgium.....	99
Field, Orin J.....	137, 142
Gore, J. H.....	99, 105
Government Printing Office.....	152
Hauke, C. F.....	91, 93, 97
Hazen, F.....	76
Head tax collections.....	151
Hearing, scope of.....	4, 5
Heney, Francis J., employment.....	138, 142
Hilles, C. D.....	84
Hitchcock, F. H.....	90
House of Representatives, library.....	136
House folding room.....	152
House Office Building.....	135
Immigrant fund.....	150
Increase in rates of surety companies.....	27, 28
Indian agents, cost of bonds.....	5, 92, 95
Indian Service employees, bonds of.....	91, 95
Industrial Home School.....	122
Interior Department buildings—	
Capitol building, Walter's plans.....	133
House Office Building.....	135
Patent Office models, storage.....	131
Pension Office building, repairs.....	131
Refrigerating plant.....	135
Investments of surety companies.....	11
Jacobs, Sidney R.....	55
Joyce, William B.....	38
Justice, Department of.....	137
Kelley, Edward B.....	92, 93
Law and bond clerk, Treasury Department.....	76
Liability, on bonds, Contingent. <i>See</i> Contingent liability.	
Librarian of the House of Representatives.....	137
Limit of risk on bonds, 10 per cent.....	49
Limitations, statute of, on bonds.....	25
Losses on bonds of—	
Indian agents.....	5, 92, 95
Paymasters (navy).....	6
Post-Office Department.....	32
Losses on bonds.....	27, 28, 29, 30, 32, 36, 49
Losses on bonds, excessive not due to fidelity risks.....	49
Losses on bonds due to large and hazardous risks.....	49
Losses of public officials, list of acts for relief of.....	73
Low, James P.....	114
MacVeagh, Franklin.....	114
Mackey, J. A.....	137
Mail contractors, number under bond.....	90
Marine-Hospital Service.....	116
Mayo, H. T.....	152
Military establishment.....	130
Milk, printing of bulletin concerning.....	116
Nagel, Charles.....	150
National Training School for Boys.....	144
Office of the President, addition to.....	106
Patent Office models, storage.....	131

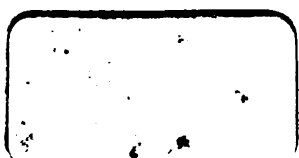
	Page.
Paymaster-General United States Army.....	53
Paymaster-General United States Navy.....	98
Pension Office building, repairs.....	131
Personal sureties on bonds.....	26, 31, 32
Postmaster-General.....	90
Post Service:	
Bonds of.....	32, 33, 88, 89
Cost to Government of supervision.....	32
Payments by sureties on bonds of.....	32, 33
Statistics of surety companies not available.....	34
President's office, addition to.....	106
Profits of surety business.....	10, 35, 36, 39, 43
Public buildings:	
Bureau of Engraving and Printing.....	115
Quincy, Ill.....	114
West Point, Miss.....	112, 113
Public Health and Marine-Hospital Service.....	116
Public officials, list of acts for relief from losses.....	73
Public Printer.....	153
Quincy (Ill.) public building.....	114
Rates of surety companies:	
Fixing of, by agreement.....	27, 28, 29, 42, 44, 46
How made.....	28, 29, 42, 45, 49, 50, 51
Increase in.....	27, 28
Not uniform prior to January 1, 1909.....	51
Pay officers, War Department.....	52, 53
Profit on government business at old.....	27, 29
Ratio of losses to premiums.. 8, 12, 20, 21, 22, 24, 25, 26, 27, 28, 29, 36, 40, 41, 42, 49	
Reclassification of.....	28, 29, 41
Regulation of, by law.....	3, 51
Restoration of.....	27
Refrigerating plant for Capitol building.....	135
Rent of vaults, Treasury Department.....	111
Reserves of surety companies.....	24, 35, 36, 39, 43, 44
Rogers, E. B.....	98
Rogers, H. L.....	53
School superintendents, Indian Service, cost of bonds.....	95
Secretary Board of Charities.....	119
Secretary Department of Commerce and Labor.....	150
Secretary of the Treasury.....	81, 84, 113, 114
Sharpe, Henry G.....	130
Sisson, T. U.....	112
Soleau, William L.....	145
Subsistence of the army.....	130
Supervising Architect.....	107, 115
Superintendent United States Capitol Building and Grounds.....	134, 135, 136
Supplee, J. Frank, statement of.....	40
Surgeon-General, Public Health and Marine Hospital Service.....	116
Surety companies, examination.....	87
Surety companies designated by the Attorney-General to be accepted on bonds given the United States.....	85
Swormstedt, J. S.....	92, 93, 94, 95
Taylor, James K.....	107, 115
Tompkins, D. J., statement of.....	45
Tracewell, Robert J.....	65
Treasury building, unexpended balances for.....	107
Treasury Department:	
Accounting system, efficiency of.....	5, 7, 8, 15, 19, 20, 23, 25, 54, 55, 65
Losses on bonds.....	17, 36
Marine-Hospital Service.....	116
Penalties and premiums of bonds.....	49, 50
Public buildings.....	112
Rent of vaults.....	111
Treasury building, repairs, unexpended balances.....	107
Treasurer of the United States.....	73
Treat, Charles H.....	73

	Page.
Tupper, J. B. T.....	119
Valentine, R. G.....	95
Walter's plans of Capitol building, purchase.....	133
War Department, rates pay officers.....	52, 53
West Point (Miss.) public building.....	112, 113
Whelan, Thomas A., statement of.....	6
Whipple, C. H.....	53
Wickersham, George W.....	145
Wilson, George S.....	119
Woods, Elliott.....	134, 135, 136
Wood, Ira W.....	151
Wyman, Walter.....	116

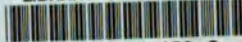


7

7



LIBRARY OF CONGRESS



0 018 702 103 0